

JPRS-CAR-91-024  
30 APRIL 1991



# ***JPRS Report***

## **China**

**DISTRIBUTION STATEMENT A**

Approved for public release;  
Distribution Unlimited

DTIC QUALITY INSPECTED 2

19980203 109

REPRODUCED BY  
U.S. DEPARTMENT OF COMMERCE  
NATIONAL TECHNICAL INFORMATION SERVICE  
SPRINGFIELD, VA. 22161

# China

JPRS-CAR-91-024

## CONTENTS

30 April 1991

### INTERNATIONAL

#### SOVIET UNION

- Discussion of Fourth Soviet People's Congress [LIAOWANG No 1] ..... 1

### POLITICAL

- Ideological Battles Between Hardliners, Liberals Viewed [Hong Kong PAI HSING No 231] ..... 4  
View of Jiang Zemin's Rise to Power [Hong Kong CHIUSHIH NIENTAI No 252] ..... 5  
Chen Yun Shelters Friends Against Hardliners [Hong Kong CHAO LIU No 48] ..... 9  
Wen Jiabao To Replace Du Runsheng [Hong Kong CHAO LIU No 48] ..... 11

### ECONOMIC

#### NATIONAL AFFAIRS, POLICY

- Greater Central Control Over Prices [JINGJI CANKAO BAO 27 Feb] ..... 13  
Economist on Asynchronism in Economic Upturn [JINGJI CANKAO BAO 3 Feb] ..... 13  
Price Index in 29 Cities [CEI Database] ..... 14

#### PROVINCIAL

- New Development Strategy for Xinjiang [XINJIANG SHEHUI KEXUE No 6] ..... 14  
Statistics on Economic Growth in 7th Five-Year Plan [GUIZHOU RIBAO 2 Feb] ..... 19  
Symposium Discusses Shanghai Economy [JIEFANG RIBAO 4 Feb] ..... 21  
Sichuan 1990 Economic, Social Statistics [SICHUAN RIBAO 28 Feb] ..... 24  
Increase in Taiwan-Funded Enterprises Noted [XINHUA] ..... 32

#### FINANCE, BANKING

- Guizhou Enterprise Operating Funds Problems [GUIZHOU RIBAO 11 Feb] ..... 32  
Banks Urged To Support Large Enterprises [JINRONG SHIBAO 11 Feb] ..... 34  
Methods To Enhance Economic Efficiency [JINRONG SHIBAO 14 Feb] ..... 35  
Report on Shanghai's Financial Activities [JINRONG SHIBAO 19 Feb] ..... 37

#### INDUSTRY

- New Achievements During Seventh Five-Year Plan [XINJIANG RIBAO 5 Feb] ..... 37  
Electronics Fujian's Biggest Earner in 1990 [ZHONGGUO JIDIAN BAO 5 Feb] ..... 38  
Improved Competitiveness for Wire, Cable Industry [ZHONGGUO JIDIAN BAO 12 Feb] ..... 39  
Xinjiang Textile Industry Develops [XINJIANG RIBAO 21 Feb] ..... 41  
Outlook for Exports of Basic Machinery Parts Bleak [JIDIAN BAO 24 Feb] ..... 42  
Machine-Building Industry Focuses on Export Market [ZHONGGUO JIDIAN BAO 24 Feb] ..... 43  
Production Permit Issuance Process Outlined [ZHONGGUO JIDIAN BAO 24 Feb] ..... 44  
Technology Improves Henan Enterprises [XINHUA] ..... 45  
Minister Outlines Chemical Industry Development [XINHUA] ..... 46

#### SMALL-SCALE ENTERPRISES

- Township-Town Enterprises Essential for Modernization  
[ZHONGGUO XIANGZHEN QIYE BAO 13 Feb] ..... 46  
Guangdong Enterprise Exports Pass 10 Billion Yuan  
[ZHONGGUO XIANGZHEN QIYE BAO 4 Feb] ..... 47

Township Enterprises Adapt to Local Conditions [ZHONGGUO XIANGZHEN QIYE BAO 22 Feb]	48
Rural Enterprises Production Structure Develops [ZHONGGUO XIANGZHEN QIYE BAO 20 Feb]	51
Report on Township Enterprises in Localities [NONGMIN RIBAO 22 Feb]	51

## CONSTRUCTION

Zhuzhou City Outlines Housing Reform Measures [TIGAI XINXI No 24]	53
Shanxi Housing Reform Gains Momentum [SHANXI RIBAO 28 Feb]	54

## FOREIGN TRADE, INVESTMENT

Beijing Officials Discuss Trade Goals [GUOJI SHANGBAO 7 Feb]	55
International Demand for Machinery, Electronics [ZHONGGUO JIDIAN BAO 12 Feb]	56

## ECONOMIC ZONES

Shenzhen Stock Market Needs More Elastic Tax Measures [SHENZHEN TEQU BAO 11 Feb]	57
--	----

## LABOR

Henan's 1990 Economic Performances Statistics [HENAN RIBAO 13 Feb]	58
Report on Improvements in Employment, Wages [ZHONGGUO TONGJI XINXI BAO 21 Feb]	60
Solving Major Labor Realignment Problems [SHANGHAI GONGYE JINGJI BAO 22 Feb]	61

## POPULATION

Population Figures for Tibet Released [XINHUA]	63
Collective Economy, Population Control Linked [ZHONGGUO RENKOU BAO 22 Feb]	63

## AGRICULTURE

Survey on Buying Negotiated Grain Trade [JINGJI CANKAO BAO 28 Jan]	65
Turning Point in Grain Reform [JINGJI RIBAO 9 Jan]	67
Greater Investment in Agriculture Encouraged [JINGJI CANKAO BAO 26, 27 Feb]	69
Slow Capital Drain From Agriculture	69
Increase Agricultural Investment	70
Shaanxi Cultivated Land Area [ZHONGGUO TONGJI XINXI BAO 25 Mar]	72
Anhui Agricultural Loans [ANHUI RIBAO 27 Mar]	72
Shandong, Guangdong Crop Area [ZHONGGUO TONGJI XINXI BAO 14 Mar]	72
Heilongjiang Corn Yield Goals [HEILONGJIANG RIBAO 1 Apr]	72

## SOCIAL

Fei Xiaotong Views Changes in Rural Villages [ZHONGGUO SHEHUI KEXUE No 1]	73
Document Reveals Inefficient Public Security System [Hong Kong CHIUSHIH NIENTAI No 253]	80
Development of Postdoctoral Education System [RENMIN RIBAO OVERSEAS EDITION 13 Feb]	82
Social Development in Provinces Compared [ZHONGGUO SHEHUI BAO 15 Feb]	83

## REGIONAL

Jiangsu Issues Aired in Provincial CPC Journal [QUNZHONG No 12]	87
Local Leadership Gap Filled	87
Cadre Development Strategies	88
Shandong Outlines Education Goals [Jinan Radio]	90

## TAIWAN

'Democracy Foundation' Attracts Attention [Hong Kong CHAO LIU No 46] .....	92
Joint Rule of Military by Li, Hao [Hong Kong CHIUSHIH NIENTAI No 1] .....	95
Recent Scuffles Inside Parliament [HSIN HSIN WEN No 201] .....	97
Analysis of Worsening Public Order [Hong Kong CHIUSHIH NIENTAI No 253] .....	103

## HONG KONG, MACAO

Comparison of 3 New 'Democratic' Political Groups [CHIUSHIH NIENTAI No 251] .....	107
Surveys Spotlight Voter Behavior [CHIUSHIH NIENTAI No 252] .....	109
Dispute Over Pre-1997 Administrative Power [PAI HSING No 233] .....	112
Lukewarm Response to Right of Abode in U.K. [MING PAO 6 Mar] .....	115



## SOVIET UNION

### Discussion of Fourth Soviet People's Congress

91CM0314A Beijing LIAOWANG [OUTLOOK]  
in Chinese No 1, 7 Jan 91 pp 45-46

[Article by special correspondent Tang Xiuzhe (0781 0208 0772), by wire from Moscow: "Stabilizing the Situation, Overcoming the Crisis—Sidelights on the Fourth Soviet People's Congress"]

[Text] At year's end, the Soviet Union held the Fourth Congress of People's Deputies. From 17 to 27 December, the congress discussed the domestic situation and measures to overcome the crisis. It formulated fundamental concepts for a new treaty of federation and for an amendment of the Constitution, its primary purpose being to stabilize the situation and to overcome the crisis.

### I

The grim domestic situation in the Soviet Union is already well known. Soviet President Gorbachev said on 17 [December] in his report to the congress: "The present domestic situation is very serious." "Every person, every family, every labor collective, and the whole country is feeling the breakdown of stability and order." "The danger is still growing in the economic, social, and political fields, and particularly in interethnic relations." "We are indeed experiencing a time of crisis."

In the face of this serious crisis, the Soviet president expressed as his opinion: "To overcome the crisis, the most important thing today is to restore law and order," and to restore order, we must have "a strong government, tight discipline, and control over the fulfillment of decisions."

In their speeches at the conference, delegates generally expressed anxiety about the situation, and the majority demanded that the president take resolute action to restore law and order.

After almost three days of deliberations, the congress passed a resolution expressing the need to adopt comprehensive measures, based on a restructuring of the federation, consolidation of the economy, and the assurance of social welfare for the people, to convert to market economy and to shape an effective system with a strong executive. The resolution mentions 13 specific measures, comprising such important affairs as the accelerated drafting and signing into law of a treaty of federation and a tentative economic agreement for 1991, which is to stabilize currency credits and the financial system, also the structural reform of the state's executive organ and immediate action to resolve the interethnic conflicts.

### II

After the draft of the new treaty of federation was published in the last week of November, the leadership in four republics, Lithuania, Latvia, Estonia, and Georgia, already declared that they will not sign the treaty of federation. The other republics also indicated that they had many reservations and objections to some of the points in the treaty draft and generally expect it to be further improved.

On the 19th, Nishanov, chairman of the Supreme Soviet Council of Nationalities, gave a report to the congress on "Fundamental Ideas on the New Treaty of Union and Procedures Relevant to Its Signature."

Up to 40 deputies at the congress spoke during the deliberations. Although opinions differed, the majority of the deputies supported the basic ideas of the new treaty of union and urged its earliest conclusion. On the 24th, the congress took a vote on whether to retain the union and whether to change the country's name. The result of the voting was: Among the more than 1,800 deputies at the congress, 1,657 voted for continuation of the union, and 1,365 voted to retain the country's name as "Union of Soviet Socialist Republics." This indicated the general desire to maintain the union and the socialist choice. Because of the importance of the issue, the congress agreed to president Gorbachev's suggestion to submit the question of maintaining the union to a national referendum.

In view of the differences of opinion among the different republics in assessing the treaty of union, it seems that much hard work will still have to be done, and much dissension will have to be overcome, to accomplish the task of getting the new treaty of union signed along the lines of the present treaty draft.

### III

At the meeting of the Supreme Soviet on 17 November 1990, President Gorbachev put forward his idea of strengthening the executive of the country. To give effect to the president's suggestion, the present congress passed an amendment to the present Constitution.

On 21 December, Lukyanov, chairman of the Supreme Soviet, gave a report on the amendment to the Constitution.

The congress passed a total of 37 amendments to the Soviet Constitution, of which the major ones were abolishing the Presidential Council, changing the Federal Council from a consultative to a decisionmaking organ, giving the president leadership over all national control systems, establishing the office of vice president, changing the Soviet Council of Ministers into a cabinet directly subordinate to the president, and establishing a security council to implement national defense policy. In other words, it was the intention to establish presidential rule over the whole country.

A considerable number of deputies raised objections during the debate against concentrating that much power in the hands of the president. Especially Ryzhkov, chairman of the Council of Ministers, expressed the opinion that, "if there is no change in the internal situation of the country, no presidential system can save us." However, in their anxiety about the political crisis faced by the country and in view of the present situation where some republics are giving precedent to their own laws over those of the Soviet Union and are defying the current Constitution, the majority of deputies still supported the president's suggestion to strengthen the executive of the country.

Selection of the vice president was like "one act before the grand finale." As proposed by the president, Yanayev, a member of the Politburo and secretary of the Central Committee in charge of international affairs, was elected vice president. The 53-year old Yanayev is an ethnic Russian, graduate of an agricultural academy, and also trained in law. He had joined the CPSU in 1962, and has held leading positions in the Communist Youth League, in the organization for friendship with foreign countries, and in the trade union. Gorbachev called him "an experienced politician, a man of firm principles," also "an enthusiastic supporter of perestroika and an active participant in it." In a word, a man whom the president "can fully trust." However, he fell 31 votes shy of a majority in the first round of secret balloting, but later, when again proposed by the president, Yanayev won in a second ballot and only then became vice president of the Soviet Union.

#### IV

Generally speaking, in spite of all the differences of opinions and arguments, the present Congress of People's Deputies dealt with all items on the agenda and accomplished all scheduled tasks. However, there is no denying that four episodes during the 10 days of the congress had cast a shadow over the proceedings of the congress.

First episode: On the first day of the congress, Umalatova, a woman, head of a production team at the [Grozny] machine tool plant in the Chechen-Ingush Autonomous Soviet Socialist Republic, tabled a no-confidence motion against Gorbachev. She said: "Gorbachev is morally disqualified to continue as leader of the country." "He has already done all he can do; he has paralyzed the country, he has brought ethnic strife, and has made a great country go begging in the world..." He gave the country "misery, collapse, cold, hunger, blood, tears, and the death of untold numbers of innocent people." Although the woman deputy's motion of impeachment was defeated, it received about one-fifth of the votes, which is indeed indication of loss of confidence in the president.

Second episode: On the fourth day, Shevardnadze gave at the congress what he called "the most painful speech of his life" and quite unexpectedly resigned his post. He

said that this is his "protest against the onset of dictatorship." He also said, "I cannot tolerate what is happening in my country and the trials that the people will have to undergo." His resignation came like a "bombshell" and evoked violent reactions inside and outside of the congress. Gorbachev immediately spoke and urged against panic. He admitted at the same time that "the situation was extremely serious," and that it required "an analysis." He felt "surprised" by Shevardnadze's resignation and condemned the fact that he had not been consulted. He found it "unforgivable" that the foreign minister would desert at this time of difficulty. As to the "dictatorship" that the foreign minister had mentioned, the president emphasized that "one must not confuse strong government with dictatorship." As president, "he had no information of any military coup or dictatorship." Shevardnadze had always been considered Gorbachev's "comrade-in-arms" and "one who cherishes the same ideals"; his giving up his post reflects the sharp and complex conflicts in the political struggles within the Soviet Union.

Third episode: On the ninth day of the congress, Gorbachev made the unexpected announcement that Ryzhkov, chairman of the Council of Ministers, had suffered a heart attack and was in the hospital. The next day he reported that Ryzhkov's condition "has not deteriorated," but that "it was serious." Ryzhkov's wife told a TASS reporter that her husband's illness was due to "exhaustion" and that "his breakdown was due to the unbearable nitpicking that was constantly going on with a purpose that was clear to see." She emphasized that her husband "was not working for any particular politician but for the good of the country." SOVETSKAYA ROSSIYA newspaper printed the TASS report under the heading "A Heart Is Not Made of Iron or Stone." PRAVDA printed a highly favorable evaluation of Ryzhkov jointly by its editorial staff, wishing him "an early recovery." People noted the fact that even at the present Congress of Deputies, a supraregional coalition of deputies tabled a no-confidence motion against the Soviet Government. Some deputies voiced the opinion that injustice is done to Ryzhkov, pointing out that in the very short time of a year and a half six no-confidence motions had been tabled against the government. "These conditions made regular work very difficult for the Ryzhkov Government!" The alternating praises and censures of the president precisely portray the present political struggle in the Soviet Union.

Fourth episode: On the last day of the congress, the Soviet Minister of Finance Pavlov made an unscheduled speech, reporting to the congress that the Council of Federal Republics could not come to an agreement with the central authorities on the issue of the distribution of income. Gorbachev spoke three times on this subject, pointing out that the Russian Republic intends to contribute next year only 23.4 billion rubles to the state budget, 119 billion less than this year. This would seriously affect state allocations for economy, defense, science and technology, cultural and educational affairs,

etc. The president repeatedly emphasized the seriousness of this question. It was his opinion that "this would not only mean collapse of the national economy, but bring about a falling apart of the union." When one deputy asked for Yeltsin, chairman of the Supreme Soviet of the Russian Soviet Federative Republic, to give an explanation, the secretariat of the congress announced that Yeltsin, who was a member of the presidium of the congress, had flown to far-away Yakutsk the night before, without consulting the

presidium or the secretariat of the congress before his departure. The announcement by the secretariat caused an uproar in the congress.

The above-mentioned events have only been episodes as far as the congress was concerned, but the effects of these episodes must not be underestimated. It appears that it is still a very long and arduous road toward achieving true stabilization of the situation and for overcoming the crisis.

### Ideological Battles Between Hardliners, Liberals Viewed

91CM0320A Hong Kong PAI HSING [THE PEOPLE] in Chinese No 231, 1 Jan 91 p 3

[Article by special reporter: "Beijing Dispatch—Beijing Ideological Front Almost Totally Occupied by Leftist Kingpins; 1991 Will Be a Decisive Life-And-Death Struggle Between the Reform and Conservative Factions"]

[Text] Special report from Beijing, 21 December: Beijing is facing an extremely cold winter. This is not only indicative of the natural weather, it is even more indicative of the political climate. When the Seventh Plenary Session of the 13th CPC Central Committee was held in Beijing, personnel changes were avoided to give a show of stability, but contention between the reform and the conservative forces has not stopped. It is especially prominent in ideology. Someone who understands the high-level political situation in Beijing told this reporter that the 4 June setback has caused the contradiction between the Chinese Communist reform and conservative factions to become ever more acute. Deng Xiaoping is still the most prominent spokesman in Beijing—for example, the vote to abstain on the Iraq issue in the Security Council was his idea—but actual political control has fallen into the hands of the conservative faction. The administrative rectification policy conducted by Li Peng and Yao Yilin with the backing of Chen Yun is cleverly changing the shape of reform and opening up. The conservative faction has seized upon the "four upholds" and "anti-bourgeois liberalization" proposed by Deng Xiaoping and fiercely attacked, almost totally occupying the ideological front.

Jiang Zemin, the third-generation "key person" personally selected by Deng Xiaoping to absorb the lesson that Hu [Yaobang] and Zhao [Ziyang] missed and at the same time greatly curry favor with the elders, whenever he has the opportunity makes a lot of talk about conducting an all-out struggle against liberalism. Presently, Li Ruihuan is ostensibly responsible for ideology in the Chinese Communist Central Committee. Actually, Deng Liqun has been meddling very deeply from behind the scenes.

Deng Liqun, with the support of Chen Yun, Wang Zhen, and others, wants to enter the Politburo and the Secretariat. In a previous period, Deng Xiaoping blocked it, but Xu Weicheng recently revealed that "some old comrades are still placing their hopes on Comrade Liqun." All the people in Beijing intellectual circles doubt whether Deng Xiaoping will be able to block it. Most prominently, at a contemporary history symposium held recently in Jiangxi, Deng Liqun said publicly, "Zhao Ziyang is the capitalist roader leader."

A group of leftist leaders, consisting of He Jingzhi, Wang Renzhi, Gao Di, Yu Wen, Wei Wei [7614 1550], Liu Baiyu, Zang Kejia [5258 0344 1367], Yao Xueyin [1202 7185 0995], Huang Gang [7806 6921], and Xu Weicheng, are intimately connected with Deng Liqun.

Not long ago, at the reportage literature symposium held in Wuhan, He Jingzhi took the lead in castigating Liu Binyan and also involved Wang Meng.

After Wang Meng voluntarily resigned as Minister of Culture, he planned to shut himself off and write quietly, but it was not to be. When the volume was turned up on the anti-bourgeois liberalization campaign, Wang Meng became a target.

Former RENMIN RIBAO director Hu Jiwei [5170 4921 0251], a newspaperman of rather strong character in the CPC, was also placed on probation within the party and stays in his Meizha Lane home to write. But present RENMIN RIBAO director Gao Di still will not leave him in peace. In the newspaper office he often speaks of Hu with freezing irony and burning satire.

Zhang Zhenglong [1728 2973 7127], *Xuebai Xuehong* [White Snow, Red Blood] author, because he truthfully described the tragedy of the vast starvation of 150,000 people brought about when the Chinese Communists besieged Changchun, was charged with anti-revolutionary propaganda and arrested. Wang Zhen suggested executing him. Wang Zhen believed that Zhang not only disgraced the Chinese Communist Party and praised Lin Biao in his book, but also denied Wang Zhen's leadership of the 359th Brigade at Yanan. Not long ago, after Wang Zhen took a bad fall on his butt, he was swollen with arrogance and would not let up at all. He often talks a lot of nonsense about ideological issues.

He Xin [0149 2450], considered the cultural hatchet man of the extreme leftist faction in the Chinese Academy of Social Sciences, recently published a long, shamelessly boastful article entitled "The World Economic Situation and Chinese Economic Problems." People in cultural and news circles criticized it as "ignorant" and "wildly arrogant," but Hu Qiaomu, Deng Liqun, Xu Weicheng, and Yu Wen greatly admired it. The 11 December issue of RENMIN RIBAO not only used half of the front page and all of pages 2 and 3 to publish the article, but it also added an editorial note of nearly a thousand words to lavish praise on it as "unique in voice and feeling" and "taking a broad and long-term view." This person is not of very high caliber, but he is a little bit smart. In an employee evaluation at the Academy of Social Sciences, Hu Qiaomu ordered him to be evaluated as an assistant researcher. When Deputy Minister of Culture Ying Ruocheng resigned, the leftist kingpins came just short of pushing He Xin as deputy minister. Although He Xin gives off an unbearable stink among the people of the Academy of Social Sciences, he has become a special person in "socialism with Chinese characteristics" and is extolled as a hero just like Zhang Tiesheng [1728 6993 3932], who in the past turned in a blank examination and got a zero.

When RENMIN RIBAO published He Xin's article, however, it indicated that it was "a record of his conversation with Japanese Economics Professor S." After a total check of the article, that Japanese professor was

nothing more than a foil. The whole conversation was only He Xin's performance. The Japanese professor became a "dummy" [a-mu-lin; 7093 2606 2651]. Most cleverly, his eight retorts all were "Oh!" So, the mark of forgery was very strong. As soon as it was mentioned, the Japanese media denied that there was such a professor and did not know what kind of trick RENMIN RIBAO and this so-called "well-read scholar, well-versed in China and the West," were playing. This also shows that the conservative faction will go to any extreme in the contention between the reform and the conservatives forces.

The general observation in Beijing is that 1990 was a chaotic year, and 1991 will be a year of life and death struggle between the reform and conservative factions. After this struggle is resolved, the situation will definitely clear up.

### View of Jiang Zemin's Rise to Power

91CM0274A Hong Kong CHIUSHIH NIENTAI [THE NINETIES] in Chinese No 252, Jan 91 pp 76-79

[Article by Liu Chin (0491 6855): "Qiao Shi Is His Old Associate—Jiang Zemin's Rise to High Officialdom," part IV; part III was published in JPRS-CAR-91-007, 8 February 1991, pp 15-18]

[Text] *Jiang Zemin has no power base, but he does have the support of Qiao Shi, and Qiao Shi is the overall head of the Chinese Communist intelligence services. The two men have had a relationship for 40 years. In former years, Qiao Shi was a member of the underground Chinese Communist Party in Shanghai. His party age is greater than Jiang Zemin's. Following the "liberation" of Shanghai, the two men trained together, subsequently rising little by little.*

It is almost a law that the rulers of an authoritarian society must have the support of the secret police and the intelligence system. Ideally, they should exercise direct control over them. Although Jiang Zemin is the CPC Central Committee general secretary, one cannot say that he has become the ruler of the China mainland since he is unable to control the secret police and the intelligence system. Nevertheless, he has the support of the overall head of the Chinese Communist intelligence services, Qiao Shi, and he and Qiao Shi have a relationship that goes back more than 40 years.

Some experts on Chinese Communist affairs maintain that Jiang Zemin is a pathetic figurehead just waiting to be eliminated. His fate is already sealed, the only question being who will eliminate him and what means will be used to do it. Actually, back when Jiang Zemin was mayor of Shanghai, clear-sighted people saw that Jiang was "without a power base." Those in the Chinese Communist Party who must depend solely on artifice and are without factional support certainly will come to no better end than that of Hua Guofeng. Even during Jiang's Shanghai mayorship, Shanghai residents called him a "panda." Today, some Beijingers privately bestow

this nickname on General Secretary Jiang, saying that he is nothing more than national treasure put on display, and utterly lacking in the prowess of Mao Zedong and Deng Xiaoping.

Possibly people overlooked one point, namely that it is because he has no factional connections that Jiang Zemin was placed in the supreme seat. So long as his honeymoon with Qiao Shi continues, and various factions within the party continue to contend with each other, he may be able to gain the allegiance of one faction to down another faction, gradually strengthening his own forces. It now appears that the obedience and service to Jiang of Qiao Shi and his subordinates has gone beyond original predictions. The outside world is in the dark about the real background of the two men's relationship.

### 40-Year Friendship With Qiao Shi

In the summer of 1987, Jiang Zemin played host to Qiao Shi, member of the Chinese Communist Central Committee's Politburo Standing Committee, during Qiao's visit to the south on official business. What frightened Jiang's secretary was that Jiang's reception of Qiao Shi was not elaborate at all, but quite ordinary. When other Politburo members visited Shanghai, Jiang had been so busy he went round in circles racking his brains to please a senior person from the party. After all, Qiao Shi, who was in charge of political and legal work, was not a person that anyone in the party dared offend openly. Jiang's secretary was so filled with endless worries that he could not help reminding Mayor Jiang, "Won't Comrade Qiao Shi take offense?" to which Jiang replied, "No" in an offhand tone.

When the time came, the first words Qiao Shi said when seeing Jiang were, "It has been more than 40 years since we first met! Now when I come to see you, you are the mayor of Shanghai!"

Qiao Shi's entourage was also greatly startled. This was because Qiao Shi was reticent by nature. When meeting anyone, he did not easily call out to them in a warm and friendly way. They did not have to guess; those present could see that the relationship between Qiao Shi and Jiang Zemin was not a shallow one. As expected, Qiao Shi did not care that Jiang's reception was not ceremonious, nor did he care whether he stayed at Mao Zedong's former temporary quarters at Hongqiao. Were anyone to make a report to higher authority, it would surely say that Qiao Shi talked at length about his old friendship with Jiang Zemin, and that they acted like old schoolmates, so extremely close.

The first time that Jiang and Qiao met was at the end of 1946 at the streetcar terminal in the Sikawei District of Shanghai. The Sikawei of 40 years ago was entirely different than it is now. A fortress-like building stood on one side of the streetcar terminal, and on the other side was the putrid Zhaojiabin. At that time Qiao Shi was 22 years old and Jiang Zemin was 20. Both were underground CPC members. However, by the time he was 21, Qiao Shi had already been a member of the CPC for five

years and held the position of station chief of the Shanghai clandestine transportation station with the rank of municipal CPC Committee member grade-1. Since Jiang Zemin had entered the party in April 1946, he had been in the party only slightly more than a half-year at the time he met Qiao Shi. To say that Qiao Shi and Jiang Zemin became fast friends in 1946 would be going too far, inasmuch as when they met at that time it was in a work meeting in which Qiao Shi was Jiang's underground party superior. Jiang's task was simply that of a bodyguard to protect the safety of his superior, guarding against the sudden appearance of Nationalist government police. At that time Jiang Zemin did not have the stature to say anything to Qiao Shi. But Qiao Shi had a good memory, and he remembered this chubby college student from the very first. After 1946, Qiao Shi no long appeared openly.

#### Qiao Shi's Character

Qiao Shi was born Jiang Zhitong [5592 1807 1749] at Dinghai in Zhejiang Province. During the Ming dynasty, the Jiang clan of which Qiao Shi was a member was part of the clan from Fenghua County of which Chiang (Jiang) Kai-shek was a member. It was not until the end of the Ming dynasty that Qiao Shi's progenitors moved to Dinghai.

Qiao Shi is a very mysterious person about whom the outside world knows very little. Deng Xiaoping's assessment of Qiao Shi was as follows: Strong party spirit; does not seek the limelight; smooth and steady, capable and experienced; and a born strategist. Reportedly, after hearing Deng Xiaoping's assessment of him, Qiao was not pleased. This was because the term, "born strategist" might be construed to mean "capable of hatching plots," or "conspiratorial," recalling to mind Mao Zedong's former criticism of Lin Biao. Qiao Shi's enigmatic ways created a poor impression both inside and outside the party.

Qiao Shi's family background shows he has a slight relationship with the Kuomintang. He is the husband of a niece of Chen Pu-lei [7115 1580 7191], the secretary to Chiang Kai-shek at that time. When the Jiang family heard that a member of Chen Pu-lei's family was going to marry into the family, they were delighted. The writing skill that Qiao Shi displayed to Chen Pu-lei greatly appealed to the love for writing skill of this member of the older generation. What Chen Pu-lei could never imagine was that this eminently talented youth would make off with the confidential Kuomintang party and government documents kept in the house and send them to Xibopo in Pingshan County, Hebei Province, the location of the CPC Central Committee. Chiang Kai-shek's confidence in Chen Pu-lei was widely known before the Nationalist government moved to Taiwan. Virtually no important Kuomintang or national matter was not discussed with Chen. Chen positively could not imagine that things kept in his home would very quickly become intelligence lying on the table before Mao Zedong, Liu Shaoqi, and Zhou Enlai. Several times after

1949 Qiao Shi came under suspicion as a Kuomintang intelligence agent, but results of investigations time after time, particularly results of the Great Cultural Revolution investigation, confirmed that he was historically a "hero who had struck into the heart of the enemy" to render the most meritorious service of all.

When he was 14 years old, Qiao Shi was taken to Shanghai from his native village to be enrolled in the famous provincial senior middle school. The proper name of this provincial senior middle school was Provincial Shanghai Middle School, and it was also known as Shanghai Middle School. It was on a par with Nankai Middle School in Tianjin, and Yangzhou Middle School in Yangzhou. All students entering this school regarded themselves as being unusually favored since all new students had to pass a test to be enrolled, and the test was so difficult that only one out of every 10 students taking it was enrolled. Therefore, in Shanghai academic circles, as soon as one said he or she graduated from Shanghai Middle School, everyone treated him or her with increased respect. Historically, Shanghai Middle School had a particularly close relationship with Jiaotong University. Graduates of Shanghai Middle School liked to sit for the entrance examination to Jiaotong University, and most of them passed it. The CPC underground party was also fond of these two schools. Following the War of Resistance Against Japan, these two famous schools became important bases for the Chinese Communist student movement and were renowned as "two great Red bastions."

When Qiao Shi first entered Shanghai Middle School, he spoke with a pronounced Dinghai accent, so his schoolmates called him "Little Ningbo," or the "Ningbo sissy." People from Ningbo and from eastern Zhejiang Province were not looked down on in Shanghai, but if one spoke with a pure Ningbo or eastern Zhejiang rural accent, which Shanghai people could not understand, they felt you had not yet become a real Shanghai person. You were an outsider and a country cousin with whom they did not want to associate. Since the other students at Shanghai Middle School regarded the newly enrolled Qiao Shi as an outsider, he became angry and fought them with his fists. Chen Pu-lei's niece, Weng Yu-wen [5040 6735 2429], was one of Qiao Shi's classmates and already in love with Qiao Shi during the period when they were attending school. She joined the underground CPC at the same time as Qiao Shi.

#### Veteran Secret Agent

Qiao Shi was only 16 years old when he joined the party, but he was very tall, and he had a debonair manner. His outstanding outward appearance worked to his very great advantage. When Weng Yu-wen took him to meet her uncle, Chen Pu-lei, Chen's impression was that he was "personable and an outstanding literary talent." Not long after joining the party, Qiao Shi became a branch secretary of the underground CPC, rising very quickly to become general party branch secretary. The CPC had no democratic selection process. Qiao Shi's selection as a

party branch secretary also stemmed from his being "personable." it was on this account that two of Qiao Shi's superiors at the time argued endlessly.

Going to college was Qiao Shi's dream as a young man, and subsequently Qiao Shi told Jiang Zemin that he had wanted to go to Jiaotong University. However, the underground party leaders decided to make him an on-the-job revolutionary. They asked him to do all possible to get the Kuomintang's key secrets for the party from Chen Pu-lei's house. Consequently, Qiao Shi was only able to lead the students attending middle school in going to the Jiaotong University campus to demonstrate, or get students from Jiaotong University to go to the Shanghai Middle School campus to demonstrate as part of the underground struggle. These demonstrations subsequently became brilliant deeds in the history of the Shanghai underground party, but Qiao Shi himself never entered a university classroom. When members were joking during a break in a CPC Central Committee plenary session during the 1980's, talk turned to those having doctoral degrees becoming provincial CPC Committee secretaries, those having masters degrees becoming municipal CPC Committee secretaries, and undergraduates becoming county CPC Committee secretaries. Qiao Shi remarked to those present, "I never went to college, so I'm not qualified to be even a county CPC Committee secretary."

However, within the secret intelligence system in the CPC, Qiao Shi's high position and his veteran status are virtually unsurpassed. Those who have studied the history of the CPC know that the transportation system within the CPC was the most successful of several CPC secret operations sections. It was never broken, to say nothing of being exposed to the outside world. During the Great Cultural Revolution, when other special operations systems sustained damage to one degree or another, only this one was preserved intact. Transportation has several functions within the CPC, such as being able to move documents and personnel securely from one place to another. During the War of Resistance Against Japan, Qiao Shi was the Shanghai transportation station chief for this system. Within this system at least, Qiao Shi was a past master at directing large numbers of people from top to bottom.

Very many of Qiao Shi's subordinates, as well as high-ranking cadres in individual secret operations systems, were members of Qiao Shi's party branch at the Shanghai Middle School. Those who can be documented today include former CPC Central Committee International Liaison Department director Qian Liren [6929 2621 0088], and current International Liaison Department director, Zhu Liang [2612 5328], both of whom were party members at the Shanghai Middle School in earlier years. In 1982, a Beijing branch of the Shanghai Middle School students' association was founded in Beijing. Qian Liren was nominated director; the meeting was held in the auditorium of the International Liaison Department; and quite a few of the schoolmates who joined were important personages from the Ministry of

State Security, the Ministry of Public Security, the Chief of Staff G-2, and the Liaison Department of the General Political Department. Qiao Shi, who had associated with them for nearly 50 years, served as their mentor, and he was able to control events to a certain extent. Consequently, Qiao Shi's support for Jiang Zemin was worthy of esteem since it was so difficult to attain.

#### **International Liaison Department Director Recommended People**

The process whereby Jiang Zemin reached the highest level of the Central Committee was as follows: In May 1983, he served as minister of the electronics industry and concurrently as secretary of the party's Organization Department. Then, he jumped from that position to mayor of Shanghai, and then jumped to member of the Politburo. His old superior of former days, Qiao Shi, provided Jiang Zemin real assistance. The year 1983 was the one in which Qiao Shi began to hold real power. At that time he became assistant to Hu Yaobang, the general secretary of the CPC, entering the Secretariat and retaining his duties as director of the CPC Central Committee International Liaison Department. Then he became director of the Central Committee office.

At that time, Qiao Shi put in a good word for Jiang in the form of one simple sentence: "Jiang Zemin is an expert on world science and technology." Naturally, Hu Yaobang listened. Qiao Shi was director of the Central Committee International Liaison Department, so if he said that Jiang Zemin was an expert on world science and technology, how could he be wrong? Thus, Jiang's appointment was not very long in coming. Some people said it was like the period during the war of liberation when Lin Biao was appointed commander and concurrently political commissar of the Northeast Field Army. The appointment of Jiang Zemin was also to the science and technology field army: He was minister of the Ministry of Electronics Industry and concurrently secretary of the party's Organization Department. At that time on the China mainland, it was not uncommon to be assigned to a position as secretary of a political organization and as a minister, handling both political and vocational work. In May 1983, Jiang Zemin took charge of the Ministry of Electronics Industry. When taking on this assignment, Jiang said that he had been lucky, "Many old comrades helped me."

In 1949, both Jiang Zemin and Qiao Shi were subjected to rectification. In May of that year, the Chinese Communists took Shanghai. The underground Chinese Communist party of Shanghai went mad with joy, believing that the day had come for starting a new life. They expected to be rewarded according to their contribution, "becoming masters in their own house." To help "liberate Shanghai," some underground parties provided their entire savings as a "liberation fund." The underground CPC municipal CPC Committee at that time decided that this money was to be paid back "following liberation." This was a substantial amount of money, and the ingenuous contributors of the money supposed that

higher level leaders would not go back on their word. Nevertheless, while people were still dancing the Yangge in the streets, the military control committee's order came down: all underground parties are to assemble for training and consolidation. It was during this training and consolidation that Qiao Shi and Jiang Zemin established a private friendship.

#### **Establishment of Friendship During the Consolidation and Training Period**

The site for training and consolidation was at Songjiang. People of every complexion in the underground Shanghai party looked forward to this "mass meeting" of a galaxy of talent under one roof. Qiao Shi recognized Jiang Zemin when he reported in, and Jiang remembers Qiao Shi having told him at the time: "We must study hard."

Fearing that something might go wrong, Qiao Shi went to a liberated area before the liberation of Shanghai. Then he returned to Shanghai together with a cadre corps moving southward to Shanghai where he took part in the takeover. Next he drew up a namelist of underground Shanghai party personnel to take part in training and consolidation, himself undergoing rectification at the same time. At that time, both Qiao and Jiang were among those deemed not to possess a proper ideology. They were rather dissatisfied with the military cadres who had come from Shandong and northern Jiangsu because the latter were domineering and acted like saviors of the world.

Not just Qiao and Jiang, but even leading personages in the underground Shanghai party such as Shanghai Bureau secretaries Liu Xiao [0491 2556], Zhang Chengzong [1728 2110 1350], and Pan Hannian [3382 3352 1628], as well as Shanghai CPC Committee member Wu Xueqian [0702 1331 6197] were deemed not to possess correct ideology. Liu Xiao had a bad temper, and he pounded the table as he argued with and cursed those responsible for the training and consolidation: "Without the cooperation of the underground party, Shanghai could not have been taken. Every member of the underground party went through hell!" However, the military cadres who had come south went on with rectification. They wanted to catch Kuomintang agents who were sleepers in the underground party. Even Chen Yi came forward to make a statement of instruction: "I think all of you have a wrong air about you! We wear homespun, but you wear nicely pressed Western-style clothing. How can you serve the people? You are still people of the old society!" Some people met with condemnation when they asked the party to return to them the "liberation funds" they had advanced.

One woman cadre who had gone through rectification at Yanan said forcefully, "You haven't been through the Yanan rectification. Your ideology is still bourgeois and petty bourgeois. You have a lot of catching up to do. If you don't, you'll become unrevolutionary or counterrevolutionary!"

Next came the real rectification in which people were ruthlessly rectified. Two underground party workers from northern Jiangsu who had formerly been hoodlums were singled out as examples. Following criticism and struggle, they were sentenced to prison on the spot according to law. They were so terrified that they slipped away during the night and hung themselves. Everyone was becoming even more frightened and even less ideologically convinced. At that time, Jiang Zemin said in his native dialect, "It's going to be a bad winter; ideological transformation is not easy!" Qiao Shi also said, "Remolding to become a new man is naturally extraordinarily painful." Once Qiao Shi sat holding a glass as he spoke. A cadre who had come south knocked the glass to the floor with his fist, smashing it, and reprimanded him: "You're not serious. You're resisting transformation."

At that time, the two men had feelings of mutual help and relief in time of adversity. Jiang urged Qiao to accept testing and Qiao responded with belief in the party oath. Qiao was 25 years old, and Jiang was just 23. They were extremely loyal, steadfast, and in the prime of life. Because of their family and social backgrounds, both were criticized by Chen Yi for their pressed foreign suits, their shiny foreign shoes, and their foreign mannerisms. Possibly because he was young and inexperienced, Jiang had yet to realize that he had to take off his Western clothing and change into a Chinese tunic. Qiao Shi had also returned to Shanghai from a liberated area. When he saw everyone was wearing Western-style suits, he took off his regular military clothing and dressed in Western-style clothing like others. In addition, the two had an out-of-the-ordinary manner. By comparison, the uncouth cadres who came south seemed too violent. The two were rectified something awful, so much so that they thought about becoming ordinary soldiers in the front lines with no further hankering after creature comforts. At that time, south China and southwestern China were still under Nationalist control, and in Shanghai and elsewhere, it had become the rage for young people to sign up to join the liberation army.

The principle followed by the Chinese Communists at that time in running campaigns was "strict criticism, but lenient treatment." Both Jiang and Qiao managed to pass the test even though Jiang was criticized for strong petty bourgeois ideology, and Qiao came close to being labeled a Kuomintang agent. When assigned to work, Jiang was returned to Shanghai as the party branch secretary in the No. 1 Army Provisions Plant. He was not sent to the southern front as a soldier. Qiao Shi was assigned to the Hangzhou Municipal CPC Committee to await appointment. After living in a hostel for three months, he was appointed secretary of the Hangzhou Municipal Youth Committee. To use the words of the most important leader in the Shanghai underground party, Pan Hannian, "The Shanghai underground party was very cruelly rectified. Most cadres were not properly used; they were made responsible for only trifling tasks."



### Wu Xueqian Was Jiang's Old Superior

Before going to the Soviet Union to study in 1955, Jiang Zemin met with Qiao Shi in Shanghai. On this occasion, not only had the clothing of the two men become totally the same as that of the blue ant populace, but both were more mature. They were both destined to work away from Shanghai for a very long time. Jiang Zemin studied in the Soviet Union, after which he worked in Changchun, Wuhan, and Beijing. Except for a short period when he returned to Shanghai as deputy director of the United Front Department in the Youth Committee of the East China Bureau, Qiao Shi spent most of his time at Jiuquan in Gansu Province, and at Anshan in Liaoning Province as a department-level cadre. Although Qiao Shi appeared to be assigned to the industrial system, his important work in the intelligence system of the CPC was never interrupted. It was for this reason that observers cannot understand his sudden transfer to Beijing, and his promotion to director of the International Liaison Department of the CPC Central Committee, suddenly becoming an official in the capital.

Before the Cultural Revolution, Jiang Zemin was transferred to the job of deputy director of the Foreign Affairs Bureau of the First Ministry of Machine Building in Beijing. It is said that Qiao Shi secretly helped him. Before the Cultural Revolution, Jiang and Qiao met again, this time in Beijing. Both were doing foreign affairs work. In view of the suspicions and jealousies within the CPC, the two did not meet frequently. Nevertheless, for Jiang Zemin's future days, it was particularly important that he had an old comrade-in-arms in a position of power in a core unit of the party.

In addition, while in Beijing Jiang Zemin also drew on his relationship with Wu Xueqian, his old superior in the underground Shanghai party. Wu Xueqian had graduated from the foreign literature department of Jinan University, where he had been deputy secretary of the students committee in the underground Shanghai party even before graduation. While engaged in clandestine struggle, Wu Xueqian also met Jiang Zemin and had a good opinion of him. Like Qiao Shi, Wu Xueqian was also a main force in the transportation system within the party. When Qiao Shi and Jiang Zemin transferred, one after the other, to foreign affairs work in Beijing, Wu Xueqian was also assigned to work in a foreign affairs unit. Wu's foreign affairs work at that time was not too conspicuous. He was a member of the standing committee of the board of directors of the Foreign Affairs Association, and a member of the standing committee of the Asian-African Unity Council. His assistance to Jiang at that time was not great. However, Wu Xueqian was, after all, a cadre in the party's intelligence system, and he was Zhou Enlai's choice as a successor in the foreign affairs system. When the Cultural Revolution storm was about to break, Wu Xueqian was one of the few confidants for whom Zhou Enlai personally arranged a transfer to secret work. During the Cultural Revolution, Wu Xueqian was virtually untouched. Actually, he was a bureau chief in the International Liaison Department all

along, but not openly so. After the Cultural Revolution, Wu and Qiao Shi emerged at virtually the same time, both of them in positions as deputy directors of the International Liaison Department. With the advent of the 1980's, Qiao Shi was very quickly appointed director of the International Liaison Department, and Wu Xueqian was also very quickly appointed Minister of Foreign Affairs. Both men had substantial professional authority to speak out on foreign affairs matters.

If one understands these inherent relationships, it is not difficult to understand how during the 1980's Jiang Zemin became deputy director of the National Export-Import Control Committee, deputy director of the Foreign Investment Control Committee, and led the first special economic zone survey team on a survey of export processing zones in more than 10 Asian, European, and Latin American countries, as well as became mayor of Shanghai, a job involving foreign affairs work.

### Chen Yun Shelters Friends Against Hardliners

91CM0326A Hong Kong CHAO LIU [TIDE]  
in Chinese No 48, 15 Feb 91 p 9

[Article by Ch'ien Sui (6929 4482): "Yu Guangyuan (0060 0342 6678) and Li Rui (2621 6904) Get By With Protection From Chen Yun"]

[Text] In the aftermath of 4 June, when high ranking cadres and intellectuals from the reform faction faced difficulties in re-registration as Party members, Hu Jiwei [5170 4921 0251], Zhu Houze [2612 0624 3419], Yu Guangyuan, Li Rui, Li Chang [2621 2490], and Tong Dalin [4547 1129 2651] were given a hard time by the hardline faction. However, the last four named managed to get through their ordeal with support from Chen Yun. Hu Jiwei, the former director of RENMIN RIBAO was removed from the NPC Standing Committee and placed under Party observation for two years. Zhu Houze, the former CPC Central Committee Propaganda Department director, and one-time deputy director and concurrently first secretary of the General Federation of Trade Unions was investigated, but he was not expelled from the Party.

### Peng Zhen's Secretary, Xu Lique [6079 4539 5028], Unmercifully Bombards Yu Guangyuan

The 75 year-old Yu Guangyuan is a member of the CPC Central Committee Advisory Committee, and was formerly an advisor to the Academy of Social Sciences. Tong Dalin formerly served as deputy director of the CPC Central Committee Propaganda Department, and as both a deputy director of and advisor to the State Council Economic System Reform Committee. They both advocated a "renewed understanding of modern capitalism" to refute Lenin's doctrine that monopoly capitalism is decaying. They maintained that modern capitalism still has vitality, and that beneficial experiences should be drawn from capitalism to develop productivity. Their views gained the support of the former Guangdong Provincial CPC Committee First Secretary

Ren Zhongyi [0117 0112 1138] and CPC Central Committee Propaganda Department deputy director Gong Yu [7895 5148].

*In the wake of 4 June, they were subjected to a fierce settling of accounts from the hardline faction. The charge that Peng Zhen's former secretary, Xu Liqun, leveled against Yu Guangyuan was particularly severe. He termed him a "person who stubbornly persisted in practicing liberalization." At a Shanghai symposium in commemoration of May 4th, Yu Guangyuan said: "Capitalism is more than just bourgeois democracy; it also contains as aspect of people's democracy." Xu Liqun dredged up this sentence to accuse him of "beautifying capitalism."*

Before the Cultural Revolution, Xu Liqun served as the CPC Central Committee Propaganda Department deputy director, and during the 1980's, when Yu Guangyuan was Chinese Academy of Social Sciences deputy and concurrently advisor, he did not rest. After 4 June, as advisor to the Philosophy Institute of the Chinese Academy of Social Sciences, he frequently took part in criticism meetings in which he blamed high ranking cadres and intellectuals of the reform faction.

Li Rui, a member of the CPC Central Committee Advisory Committee, and former deputy director of the CPC Central Committee Organization Department; Li Chang, the former secretary of the CPC Central Committee Discipline Examination Committee, as well as Yu Guangyuan and Tong Dalin were good friends of Hu Yaobang. They heartily supported the reform ideas of Hu Yaobang and Zhao Ziyang, and they frequently took part in meetings of reform faction intellectuals, including the activities of SHIJIE JINGJI DAOBAO. *Li Rui also published numerous articles "criticizing Mao," as well as "True Account of the Lushan Conference," which the CPC Party School published as an "internally controlled publication." As a result, he came under attack from some hardline fraction cadres. Li Chang's son-in-law, Wan Runnan [8001 3387 0589], and the "Sitong Institute" that he supported were implicated with the "riots." His wife, Feng Lanrui [7458 5695 3843] had long worked together with Su Shaozhi [5685 4802 2535] writing articles for which he incurred censure.*

#### **Chen Yun's Comments Straighten Out Party Membership Registration**

Following 4 June, the CPC Central Committee directed the re-registration of all Party members. All Party members who were "disqualified" for having taking part in "riots" and "counterrevolutionary disturbances," were to be purged. Since the aforementioned several people had been snagged on the hardline faction's "liberalization" hook, it was extremely difficult for them to complete re-registration as Party members. A social scientist in Beijing who had been a student of Yu Guangyuan told me that Yu Guangyuan, Li Rui, Li Chang, and Tong Dalin wrote a report to Chen Yun asking him to help solve their "Party membership re-registration."

The gist of the comments that Chen Yun made to the CPC Central Committee Organization Department were as follows: These comrades contributed to theoretical work in the past. (Note: Meaning their 1978 criticism of the "two whatevers thesis" of Hua Guofeng). The different views that they have advanced during theoretical discussions in recent years are problems of ideological understanding, not problems of political standpoint. There is no need to eliminate them from the Party organization.

Among Chinese Communist elder statesmen, Chen Yun's influence is appreciable. His remarks "emancipated" these four people. Consequently, Yu Guangyuan resumed his publication of articles in the Beijing magazine, ZHONGGUO SHEHUI KEXUE [CHINESE SOCIAL SCIENCE].

The student of Yu Guangyuan mentioned above told me that Chen Yun's remarks protecting these people were made because Chen Yun understood them extremely well. He did not believe they were "liberalizationists" "opposed to the Party and opposed to socialism." In addition, he also opposed an expansion of attacks. "He urged the seeking of truth in facts rather than "putting everyone to the test."

#### **Friends At Chen Yun's Side Who Dared To Speak The Truth**

Yu Guangyuan's relationship with Chen Yun go back a long way. During the War of Resistance with Japan, Chen Yun was director of the CPC Central Committee Organization Department at Yanan, and headed a philosophy study team in which Li Fuchun, Tao Zhu, Wang Heshou [3769 7729 1108], and Chen Zhengren [7115 2973 0086] were team members. In addition were a number of what Chen Yun called "back row members," including Yu Guangyuan, and Wang Huide [3769 1920 1795].

Li Rui's relationship with Chen Yun was also good. Li Rui had been Mao Zedong's secretary, and during the period of the Lushan Conference in 1959, Li Rui was deputy director of the Ministry of Hydroelectric Power. He held some critical views about Mao Zedong's "Great Leap Forward," "People's Communes" and the rectification of Peng and Huang. Following the Lushan Conference, he was classified as a "leftist opportunist." At the Nanning Conference (1958), which preceded the Lushan Conference, Chen was criticized as an "old leftist" by Mao Zedong, and he was much censured for his 1956 "Opposition to Rash Advance." He and Zhou Enlai were forced to make a self-criticism. Despite the wide difference between Chen and Li's rank, they had the feeling of "fellow sufferers" who had been excluded by Mao Zedong.

Chen Yun's remarks in Zhejiang Province, which were published on 18 January, called upon high and medium level cadres to have "bosom friends who dared to speak the truth." He said, "They dare to report the real situation; they dare to speak what is in their minds,

because they have confidence in you and know that you will not punish them. I have friends such as this."

Yu Guangyuan, Li Rui, Li Chang, and Tong Dalin were Chen's Yun's friends from a later generation who "dared to speak the truth." It was natural for Chen Yun to disagree with stripping them of the opportunity to "register as Party members."

### **Wen Jiabao To Replace Du Runsheng**

91CM0325A Hong Kong CHAO LIU [TIDE]  
in Chinese No 48, 15 Feb 91 pp 13-14

[Article by Chang Ying-ying (1728 4134 4134): "Wen Chia-pao (3306 1367 1405) Said To Transfer Away From CPC Central Committee General Office To Direct Rural Policy Research Center"]

[Text] While staying in Beijing on a few days' visit on behalf of a foreign firm, I met some old friends who have close contacts to children of highly placed cadres. In the past, we had always been eager to talk politics, and this time too we talked about news of whatever was "brewing" on the political stage of Peking in matters of personnel changes. One item we talked about was the possible transfer of Wen Chia-pao away from his present post of director of the General Office of the CPC Central Committee to replace 78-year old Du Runsheng, as director of the Rural Policy Research Center of the Central Committee and director of the Rural Development and Research Center of the State Council. Rumor has it that Wen will be replaced by the deputy director of the General Office Tseng Ching-hung [2582 1987 4767], who is a trusted follower of Jiang Zemin. However, some friends said this is not necessarily reliable news because Tseng is neither member nor alternate member of the Central Committee, which is the usual ladder up for appointment to director of the General Office. Once he is marked for membership in the Central Committee he would indeed be qualified for appointment as director of the General Office.

The following summarizes some casual remarks by my old schoolmates about Wen Chia-pao:

### **After the 4 June Incident Protection by Song Ping Enabled Wen to Survive in His Position**

Wen Chia-pao, who is now 48 years old, succeeded Wang Chao-kuo [3769 0340 0948] in 1986 as director of the General Office of the CPC Central Committee. Before that, Wen had been vice minister of the Ministry of Geology and Mineral Resources and concurrently chairman of its political department. In these positions, he earned the high esteem of General Secretary Hu Yaobang. After Zhao Ziyang became General Secretary, Wen also became alternate member of the CPC Central Committee Secretariat in charge of important affairs, and was concurrently appointed secretary of the Work Committee for Government Organs, and gained the trust of Zhao Ziyang.

During the democracy movement of 1989, Wen was in favor of resolving student unrest through dialogue and by peaceful means. He accompanied Zhao Ziyang to Tienanmen Square when Zhao visited the students on hunger strike and urged them to return to campus. Zhao's action in that instance was castigated as "party splitism" and for this reason Wen too was criticized after the 4 June incident by the hardliners in the party. According to the Peking grapevine, Li Peng suggested replacing Wen with Chen Xitong, member of the CPC Central Committee, deputy secretary of the Peking Municipal Party Committee and concurrently mayor of Peking Municipality.

Due to protection from veteran senior cadre Song Ping, Wen was able to weather the storm and maintain his position. Song Ping was a member of the Politburo and director of the Central Committee's Organization Department. After the 4 June incident, he was promoted to member of the Standing Committee of the Politburo in charge of organization, personnel, and agricultural and forestry policy.

Ties between Wen Chia-pao and Song Ping were established in Kansu Province. Wen graduated in 1965 (23 years old) from the geology department of the Peking Academy of Geological Sciences and remained at the academy as a research fellow, specializing in geotechnonics. He graduated after three years. At that time the PRC had no master or doctoral degrees, and according to present academic standards he would be considered a graduate with a master's degree. During the 1970's he was employed at the Bureau of Geology of Kansu Province in such positions as survey team technician, deputy team leader, and deputy section head in the Bureau of Geology. In the 1980's, he was appointed deputy director of the Bureau of Geology.

During the 1970's, Song Ping was first secretary of the Kansu Provincial Party Committee for a long time. Late in the 1970's and early in the 1980's, he followed the Central Committee's directives to promote younger cadres, and appointed Wen Chia-pao deputy director of the Kansu Bureau of Geology, and was mentioned to the Organization Department of the CPC Central Committee as a good prospect for training as a potential successor to leadership position.

At the end of 1980, Song Ping was transferred by the CPC Central Committee to a post in the State Council, to become first vice chairman of the State Planning Commission (in 1983 he succeeded Yao Yilin as chairman), and he continued to be interested in Wen Chia-pao. Later, as recommended by Song Ping, Wen Chia-pao was promoted to chairman of the political study office of the Ministry of Geography and Mineral Resources in the State Council. In 1985, Wen was appointed vice minister.

### Wen Chia-pao, a Good Replacement for Du Runsheng?

The news that Wen Chia-pao will succeed Du Runsheng in his two positions, is related to Wen's recent publications on the subject of rural investigation and rural policy.

Wen Chia-pao was originally in charge of confidential affairs and government organization and party committee work in the Central Committee, but recently tended more and more toward rural investigation, and he also published articles on rural policy. In a mid-January issue of the PEOPLE'S DAILY he published an article in which he stated the need to revitalize rural circulation to develop agriculture. He emphasized that revitalizing circulation is an important link in rural development, that it is necessary to better facilitate the buying and selling of agricultural products and the supply of means of production and livelihood for the rural population, also to earnestly solve the difficulties that some peasants experience in selling and marketing agricultural sideline products and the problem of "low grain prices are bad for agriculture."

Medium and high-ranking cadres in Peking are now wondering whether Wen Chia-pao's visits to the countryside and articles are part of a "warming-up process" for Wen's promotion to director of the Rural Policy Research Center of the Central Committee and to director of the Rural Development and Research Center of the State Council.

According to information from children of high-ranking cadres, Du Runsheng, who is almost 80 years old, is long past retirement age for department heads, and he is also a reform party cadre who had been a trusted follower of Hu Yaobang and Zhao Ziyang. In the 1989 democracy movement, the research institute of the Rural Development and Research Center had voiced its support for the students, putting him in a precarious situation after 4 June.

Du Runsheng's departure from office is already fact, but selection of his successor is still "in the works." Wen Chia-pao is among the candidates that are being considered. However, director of the General Office is much more important than the two posts that Du Runsheng occupied. People who had been in charge of the General Office, such as Yang Shangkun, Wang Dongxing, Yao Yilin, Hu Qili, Qiao Shi, later all became members or alternative members of the CPC Central Committee's Politburo. Only Wang Zhaoguo merely served as secretary of the Central Committee's Secretariat. In 1987, when Hu Yaobang fell from grace, Wang was demoted to deputy secretary of the Fukien Provincial Party Committee and concurrently provincial governor. If Wen Chia-pao still has the support of Song Ping and higher level of the reform party, he will certainly not be appointed to a position of lower authority.

As one of the members of the CPC Politburo and of the vice premiers, Tian Jiyun is in charge of the agricultural

and forestry system, but in the division of labor in the Standing Committee of the Politburo, Song Ping is the person who in addition to dealing with organizational matters is also in charge of agriculture. He recently went on an inspection tour of the countryside and repeatedly indicated that he wants to stabilize the rural responsibility system.

Wen Chia-pao went with Sung Ping to investigate and inspect rural conditions, and the articles he wrote after his return to Peking are rumored to have been published by order of Sung Ping.

Although the transfer of Wen Chia-pao away from his job in the General Office is still "in the works," there will be very many changes about to occur, and it is generally assumed that the situation will not be settled quickly.

### Jiang Zemin's Trusted Friend Tseng Ching-hung, a Man of Great Potential

After Jiang Zemin's promotion to the position of General Secretary of the CPC Central Committee, Tseng Ching-hung, who was moved from Shanghai to become deputy director of the General Office, is a cadre with a great potential. Once he gets on that "ladder" of membership in the Central Committee, he will be appointed to much more important positions, because he is a trusted follower of Jiang Zemin, also the son of a high-ranking cadre. He is also strong in economic and local work experiences.

Tseng Ching-hung, who is 51 years old, is a native of Chian in Kiangsi Province. His father, Tseng Shan (1899-1972) was deputy secretary of the CPC Central Committee's Central China Branch, deputy chairman of the East China Military Commission, head of the Communications Work Department of the CPC Central Committee, minister of the Ministry of Textile Industry of the State Council, minister of the Ministry of Commerce, and minister of the Ministry of Internal Affairs.

Tseng Ching-hung, when in the automatic control system of Peking Engineering College, once served as secretary to Yu Qiuli, chairman of the State Planning Commission, because of Tseng's special family background and work in organs of the Communist Chinese regime. Tseng later served as deputy head of the general office of the Energy Commission headed by Kang Shien. Early in the 1980's, he was assistant manager in the liaison office of the Haiyang Petroleum Company, and deputy head of the foreign affairs section of the Ministry of Petroleum Industry. He was transferred to Shanghai in 1983 to become deputy head, later head, of the organization department of CPC Shanghai Municipal Party Committee. In 1985, after Jiang Zemin was appointed deputy head of the Shanghai Municipal Party Committee and concurrently mayor, Tseng was promoted to member of the Standing Committee of the Shanghai Municipal Party Committee, chief secretary, and, in 1986, again promoted to deputy secretary of the Shanghai Municipal Party Committee.

## NATIONAL AFFAIRS, POLICY

### Greater Central Control Over Prices

91P30130A Beijing JINGJI CANKAO BAO in Chinese  
27 Feb 91 p 4

[Article by Guo Wei (0748 4850) and Xiang Wei (4382 0251): "Using Price Measures To Eliminate Trade Barriers"]

[Summary] In recent times, some localities have applied direct price measures to protect their own interests and have thus severely affected the development of China's planned commodity economy and a unified market under socialism.

While appropriate political and administrative means are being utilized to strengthen the centralization of state power, it is also necessary to apply measures in the planning, finance, taxation, fiscal, and price sectors to enhance the central government's macroeconomic regulatory function and strive hard to gradually establish a flexible and efficient regulatory and control system within a short time. It is especially important to strengthen the central government's role in the price sector, and the key point is to place the current price management departments directly under the leadership of the central government. A major factor in this regard is to clearly define price relations among the center, localities, and enterprises. Theoretically speaking, such changes can prevent the local governments from abusing their power, usurping certain state powers, or seizing powers entrusted to enterprises by the central government. Practically speaking, damages caused by local governments exceeding their authority and indiscriminately raising prices are even more serious than those resulting from their abuses in tax reduction and interest rate manipulation. This is because the latter are more tangible and easier to rectify, whereas damages caused by indiscriminate price hikes are less tangible, have far greater impact, and are not easily rectified.

Statistics show that approximately 20 percent of annual inflation was due to state price adjustments, with the major portion induced by local price hikes. In fact, we have already reached a point where it is imperative to resolve this problem through system changes. The current revenue-sharing plan has also made local governments more willing to exceed their authority and use price adjustments to gain advantage. Severing the direct link between revenue and price will greatly reduce their incentive to raise prices and thus will check inflation. Moreover, owing to longterm dependency on government subsidies, many enterprises are unwilling to make efforts to improve management. Severing price connections between the local government and enterprises will also reduce the state's management function and encourage it to use the price mechanism to exercise macroeconomic control and provide guidance. Using a system to define price relations among the center, localities, and enterprises will facilitate the guiding principle

of "unifying leadership and regulating by levels." It may also encourage price departments at all levels to manage prices according to law and their own spheres of responsibility without undue concern for their interests. Price management will thus become more regulated, systematic, and scientific.

Viewed at a deeper level, regional economic blockades are, in fact, anarchy manifested mainly in the form of price. Therefore, in addition to adopting necessary political and administrative measures, tackling this problem at its roots requires the improvement of price regulation and the use of law to forcefully regulate and restrain price behavior by local governments and enterprises.

### Economist on Asynchronism in Economic Upturn

HK0403110791 Beijing JINGJI CANKAO BAO  
in Chinese 3 Feb 91 p 4

["Excerpts" by Wu Mingxiang (0702 0682 0742) from 10 January ZHONGGUO TONGJI XINXI BAO: "Dong Fureng Points Out Five Asynchronous Steps in the Economic Upturn"]

[Text] At present, a trend of upturn has appeared in various fields of the Chinese economy. However, there are also five asynchronous steps in the economic upturn.

First, the asynchronism between the upturn in output value and the upturn in the marketing situation. The speed of upturn in output value is being accelerated, but the starting of market is comparatively slower. If the situation continues to develop in this way, it will be difficult for us to maintain the trend of upturn. In fact, due to the overstocking of products, some departments are unable to continue their production at present. They cannot but let production drop.

Second, the asynchronism between the economic upturn and monetary input. In 1990, the floating industrial funds increased by 80 billion yuan. But the output value of the industrial enterprises under state budget only increased by 10 billion yuan. The exchange of 80 billion for 10 billion shows that the situation of the use of funds is very bad. Capital turnover has slowed down, and the funds have been thrown into wrong businesses.

Third, the asynchronism between the economic upturn and the readjustment of the industrial structure. At present, the economic upturn is chiefly a result of the development of the manufacturing and processing industrial departments. Recently, due to the overstocking of products, the speed of energy and raw materials production has slowed down. This shows that the industrial structure has not been appropriately readjusted. On the contrary, with the upturn in the economic situation, it is possible that the old industrial structure will be resumed.

Fourth, the asynchronism between the economic upturn and technological renewal. This can be seen from the changes in the fixed assets investment structure. The growth rate of investment in capital construction is

much higher than that of technological renewal and transformation. This shows that our economic upturn is not chiefly a result of technological renewal and transformation but a result of increasing monetary input and investment.

Fifth, the asynchronism between the economic upturn and the increase of economic returns. The economic upturn and the increase of economic returns are not only developing in asynchronous steps but also in opposite directions. This is a comprehensive expression of the above-mentioned four asynchronisms.

These phenomena show that the economic upturn, which started recently, does not have a solid foundation. Therefore, it is unstable. On this question, I have some ideas: First, at present, while grasping industrial growth, it is also necessary to pay great attention to the realization of marketing. To solve this problem, the main task is to increase the ultimate demand. At the same time, it is necessary to unclog circulation channels. Second, it is necessary to attach importance to technological renewal transformation. Of course, the scale of investment for this purpose should also be appropriately controlled so that overheated economy can be prevented. Third, it is necessary to effectively readjust the industrial structure. Some enterprises should be eliminated, reorganized, or merged. In order to solve the problem of asynchronism, it is necessary to deepen the reforms, reform the enterprises, develop and perfect the market, and reform the mechanism of macroeconomic regulation and control.

### Price Index in 29 Cities

HK2803091691 Beijing CEI Database in English  
28 Mar 91

[Text] Beijing (CEI)—Following is a list of price index and index of living costs in 29 big and medium-sized cities in Jan. 1991, released by the China State Statistical Bureau:

(Note: price of the same period of last year as 100)			
	social retail price	living costs	service price
Beijing	106.7	112.6	165.9
Tianjin	105.8	106.7	117.8
Shijiazhuang	107.0	108.2	119.3
Taiyuan	103.9	106.6	127.1
Hohhot	107.8	107.7	107.0
Shenyang	101.9	104.1	122.4
Changchun	101.1	107.9	170.1
Harbin	104.9	109.7	148.4
Shanghai	110.2	110.8	115.7
Nanjing	109.7	110.1	113.3
Hangzhou	107.3	108.3	119.1
Hefei	106.5	106.8	108.8
Fuzhou	107.0	108.0	116.0

Nanchang	102.7	103.4	109.4
Jinan	106.3	106.3	106.8
Zhengzhou	101.8	102.8	111.8
Wuhan	104.0	105.7	123.2
Changsha	104.6	104.8	106.8
Guangzhou	100.3	100.8	104.5
Nanning	99.9	100.0	100.6
Chongqing	100.0	101.2	110.5
Chengdu	101.9	103.1	113.2
Guiyang	104.0	104.0	104.0
Kunming	100.0	101.1	111.3
Xian	105.2	107.8	130.4
Lanzhou	102.5	104.4	121.4
Xining	104.4	105.6	115.1
Yinchuan	106.0	110.4	154.6
Urumqi	105.3	106.7	119.3

### PROVINCIAL

#### New Development Strategy for Xinjiang

91CE0254A Urumqi XINJIANG SHEHUI KEXUE  
[SOCIAL SCIENCES IN XINJIANG] in Chinese  
No 6, 15 Dec 90 pp 28-32

[Article by Si Zhengjia (0674 2973 1367), Xinjiang Normal University: "New Thoughts on a Development Strategy for Xinjiang." Responsible editor: Hu Zuyuan (5170 4371 3293)]

[Text] At present, all countries and territories in the world without exception regard study and working out development strategies as extremely important. For this reason, developmental economists in all countries have at different times put forward opinions on balanced growth strategies versus unbalanced growth strategies, on domestically oriented development strategies versus externally oriented strategies, and on economic growth strategies versus basic need-oriented strategies. China is a developing country, and the development of its economy and improvement of its efficiency are the core and primarily important tasks of the entire party and entire country, and for Xinjiang, which is a territory of China that still has to be developed, there is an even greater urgency and significance to develop the economy, eliminate poverty, and raise the standard of living.

Study and formulation of a development strategy for Xinjiang must be accomplished, first of all, in conformity with the international environment and the overall strategy of the whole country. On this foundation, we will then have to study its ethnic characteristics, its regional characteristics, and the regional self-government, beginning from the realities of its location

on the remote border, its poverty and backwardness, and taking the following three aspects into earnest consideration:

#### 1. Importance of Unbalanced Developments Within Balanced Development

Viewed from the aspect of the national economy in operation, the overall strategy for the entire country as well as the partial strategy for Xinjiang, both intend to achieve a development that balances total supply with total demand, and the national economy is geared to this purpose. However, balanced development does not mean absolutely equal advance in all sectors, in all lines of trade and industry, and at all localities. Otherwise, it would be like "scattering pepper," and in the end lead to stagnation and imbalance in the economic development. We have to carry out construction with points of emphasis, and once we have decided on such key points, imbalances are bound to occur among some sectors and in microeconomic components, because key construction means concentrating investments where one intends to eliminate "bottlenecks" in development that have shown up as deficiencies in certain departments or sectors.

Xinjiang lies at the country's border, has a particular objective environment, is populated by many ethnic groups, and is poor and backward. Ensuring social security, solidarity of all ethnic groups, and the fastest possible improvement of the people's living standard are tasks of primary importance, it is, therefore, absolutely necessary to pursue a balanced development in the overall economy of Xinjiang. However, since financial resources are limited, while hundreds of trades and industries need to be started or promoted, economic construction cannot possibly have "flowers blossoming all over the place" and "advances promoted on a comprehensive scale." This makes it necessary to adopt a policy that is slanted in certain ways and that primarily develops some particular regions and industries. It follows that it is absolutely necessary to place investments only at certain key points. This would indeed make it a "seesaw-type" development theory advocating an unbalanced development strategy that promotes economic growth with the preferential selection of certain major departments, expecting the growth of these major departments to stimulate growth in all other departments, and with preferential growth allowed for some enterprises to induce growth in other enterprises. Practice has proven that this theory, if properly implemented, is completely feasible.

Speaking of the regional aspect, adopting a "slanted" and unbalanced development policy means that some regions with good prospects and capable of exerting strong stimuli will be selected for primary development. It is through the influence they diffuse and their stimulating effect that development shall be achieved throughout the entire area. In this respect the theory of developing areas targeted for high growth within a development strategy that allows faster development for some

areas than for others should be adopted as our reference model. One important characteristic of the theory that advocates targeting certain areas for faster growth than others is that it emphasizes the interrelatedness of economic development. This interrelatedness manifests itself not only within regional economies (such as the stimulating effect on the development high points in border regions), it also manifests itself in the relation between advanced and backward industries of one region (such as the formation of growth points and the stimulation of traditional industries). If Xinjiang wants to reduce the present dual structure in its economy [the coexistence of developed and undeveloped areas] and transform its traditional economy into a modern economy, it particularly has to strengthen this above-mentioned interrelatedness. On an "east-central-west" gradient, Xinjiang stands on the lowest level. Strengthening Xinjiang's ties and cooperation with the central and western areas is bound to stimulate Xinjiang's economic progress. With the recent establishment of the Asian-European land bridge, the railway traffic on this line will enter Xinjiang into much closer contacts with its eastern, central, and western neighbors. This will bring benefits not only for the Xinjiang economy but also for the economy of the entire nation.

Within Xinjiang, the buildup of an economic zone along the Lanzhou-Xinjiang railway line is of equally important strategic significance for the vigorous improvement of Xinjiang's economy. This whole area is an important agricultural and animal husbandry base in which over two-thirds of all modern industries and enterprises of the whole region are concentrated. It is that part of Xinjiang that contains the most advanced key production elements, and is the area on which Xinjiang relies for increased development of its resources and for a more effective utilization of these resources. Furthermore, the presence of some key enterprises has created areas of economic concentration, such as the Hami-Turpan region, the Urumqi-Shihezi region, and the Dushanzi-Kuitun-Karamai region. They will become the bases and the sources from which industry will move to economically poorer regions and from which technologies will be disseminated; they will become the development high points for the enlarged economic development of the whole region. If we direct the economic development of that area according to the principles of commodity economy, effect certain adjustments and reforms in the way industries are being operated, break down the blocked-off circulation, strengthen the stimulating effect of industry on traditional agriculture and animal husbandry, this will have the effect of turning industries, enterprises, and economic concentrations that presently exist in this region into intermediary links for the transformation and convergence of the two poles in Xinjiang's dual economy.

Another characteristic of the theory of targeting specific areas for development plays a greater role than it does in the theory of a uniform development. Industrial development, in spatial respects, will generally occur as the



concentration in certain centers, and a spreading out throughout the area in an "ink stain" effect. It will then, through radiation, create zones and networks, and finally end up in a paramount network. Only in this way can optimal disposition of resources be achieved. The spatial deployment of productive forces in China is far from meeting this demand. However, that does not mean that China has no area especially designated for development. Within the vastness of the new Asian-European land bridge, there are comparatively well-developed growth points of primary rank, namely Lianyungang, Xuzhou, Shangqiu, Zhengzhou, Loyang, Xian, Xianyang, Baoji, Tianshui, Lanzhou, and Urumqi. There is an even larger number of supplementary growth points in the small cities of secondary rank, and sub-growth points in the county seats, towns and townships. Combined, all these growth points of different ranks constitute the main axis and paramount network along the two large railway lines, the Long-Hai [Lanzhou-Lianyungang] and the Lanzhou-Xinjiang railway lines. At the same time, the diffusion and radiation at all levels form "industrial zones." The result of blending, fusing, radiating, and diffusing, i.e. the expansion of one region into another growth point, can occur between two growth points creating a single new growth point, and in due course will create, through diffusing and radiating to the surrounding area, new primary, secondary, and sub-rank growth points in a chain reaction, and, as a consequence, will stimulate development of the whole region. Along the Lanzhou-Xinjiang railway line within Xinjiang territory, there are the primary growth points of Hami, Urumqi, Shihezi, Kuitun, and Karamai. There are secondary growth points in the various county seats and also sub-growth points in the towns and townships. Jointly, these growth points now form the Hami-Turpan, Urumqi-Shihezi, and the Dushanzi-Kuitun-Karamai economic zones and the paramount economic network along the Lanzhou-Xinjiang railway (including its western section). Radiation and diffusion from these economic zones and from the paramount network, the blending and merging of growth points of various ranks can create new growth points and areas targeted for high growth. These in turn will diffuse and radiate and, through the "ink stain" effect and in a chain reaction, will stimulate economic development in northern Xinjiang and throughout all of Xinjiang. The key development in the economic zone on the northern slopes of the Tianshan Mountain range, with its effect of stimulating the overall development of southern and northern Xinjiang, has been called by some the development strategy of "one zone with two wings."

According to the theory of development high points-growth points at various levels it would also be possible to set up an economic zone along the southern Xinjiang railway line and along the Urumqi-Kashi highway, namely a Korla-Kuche, Aksu-Kashi, and a Yecheng-Hetian [Hotan] zone, and thus, through stimulation and diffusion at the various levels of prefectures, autonomous prefectures, and cities, stimulate the development of southern Xinjiang. However, at the present state of

public finances of the autonomous region, investment decisions will favor the economic axis along the Lanzhou-Xinjiang railway to conform with the overall national economic development and the development of the great northwestern region, and to be more effective in stimulating the economic upswing throughout all of Xinjiang.

## 2. Stepping Up the Shift From an Internally Oriented to an Externally Oriented Strategy

For a very long time past, Xinjiang's economic development has all along been of an internally oriented type. Although some externally oriented economy has been initially developed since the opening up to the outside world, this has by far not broken down the basic state of its internally oriented economy. Viewed under the aspect of the shift of focus in the national strategy which will occur in the next century and under the aspect of the economic development strategy for Xinjiang in the next century, it is quite essential for the economy of Xinjiang to shift as quickly as possible from an internally oriented to an externally oriented type of economy and to implement an externally oriented strategy.

Xinjiang is a long distance from the rest of China and was sealed off for a long time. It has abundant natural resources, a good assortment of products, and is unique in its population, culture, and geographical features, so that it will basically be an economic area by itself in the forthcoming development. Xinjiang's external orientation will, therefore, be of 2-fold significance: For one, its orientation will be toward the markets outside of its territory, i.e. toward interior China and toward the markets along the southeastern seaboard. And secondly, its orientation will be toward the international market. To realize these two "orientations," it will first of all be necessary to break down the various obstacles of protectionism. Local separatism and the profusion of local customs stations are merely restricting development of the commodity economy. In the long run, they encage the various regions and stifle development of local industries. Of course, from the standpoint of immediate benefits, giving certain protection is also necessary, but this must only be a temporary expedient, and restricted to temporary measures limited to cases where there is no other alternative. From a strategic point of view, they are undesirable. As far as Xinjiang is concerned, since initiating the opening up and reform policies, its local governments at all levels have adopted, in policy measures down to every sector concerned, protectionist practices of various kinds, to varying degrees, and within varying limits, with regard to the markets within their territories and local industrial products. As a result, there is no improvement in such problems as high consumption in industrial production, low efficiency, and poor quality of products. On the contrary, these problems are growing more serious every day, and the discrepancy levels throughout the rest of the country is increasing. For instance, in 1988, energy consumption in Xinjiang per 10,000 yuan product value was 70 percent above the national average; productivity of personnel in



enterprises owned by the whole people, but with independent accounting systems, was 19 percent below the national average; product value produced per 10,000 yuan of fixed asset value was 42.75 percent below national average, and tax/profit realized was 46.12 percent below national average.

For many years, we practiced "protection" by imposing restrictions of certain commodities on the exports from or imports into Xinjiang, but these "protective measures" had very regrettable consequences. We understand that all countries of the world, without exception, exercise state protection for the benefit of their national industries and of their foreign trade. However, these are measures adopted by independent states in the interest of developing their national industries, encouraging exports, and enhancing the competitiveness of their own products in the international market. They are certainly not divisive, causing separations between regions of one unified market within a unified country. Protectionism and restrictions between regions are apt to destroy the unified socialist market, obstruct development of the socialist commodity market, and finally are detrimental to the development of local industrial production and the growth of local markets. We must examine this problem overall as well as from a long-range strategic angle, in order to make correct policy decisions.

As things are now, Xinjiang's economy is still of the internally oriented kind (the export value of foreign trade is still below one-tenth of the internal market volume, and below one-fifth if the markets outside the territory are added). Industrialization is at its most elementary stage, and the entire economic structure is primarily composed of agriculture and animal husbandry and the light and textile industries and foodstuffs industries using raw materials from the agricultural and animal husbandry industries. Their output value accounts for two-thirds of the gross industrial and agricultural output value. Of total exports, around 90 percent are agriculture and animal husbandry products and industrial products using agricultural and animal husbandry products as raw materials, and the proportion of raw material-type primary products is as high as 70 percent. This phenomenon of having an internally oriented, sealed-off economic condition is the cause of the listlessness of Xinjiang's commodity economy and the long-term poverty and backwardness of its various ethnic minority groups. Adopting an externally oriented development strategy is the effective way for any developing country or territory to achieve as rapidly as possible an upswing in its economy.

China's Xinjiang must adopt effective steps to accelerate its shift toward an externally oriented economy; this must be based on the market within its territory, and it must energetically expand toward markets in other provinces. Taking 1986 as example, Xinjiang shipped to other provinces products having total value one-sixth the volume of its internal market, while the total value of shipments from interior China to Xinjiang amounted to a quarter of the region's internal market volume. The

market volume for Xinjiang products within Xinjiang is more than six times Xinjiang's market volume in the large international market and throughout the remainder of China combined. This signifies that the internal market is still the basis and start-out point for Xinjiang's economic activities, while Xinjiang's share and exploitation of markets outside its territory is still rather weak. Therefore, further efforts must be made to expand the internal market for products manufactured in Xinjiang, and on this as base point, great efforts must be made to develop sure-to-sell export articles of well-known, high quality, unique or special qualities, and to strengthen economic ties and cooperation with the rest of China in a vigorous extension of the external market.

The elimination of various protectionist obstacles will also be necessary as will the effective carry-overutilization of the diffusing and radiating function and all other advantages of the main axis, namely the economic zone along the Lanzhou-Xinjiang and Long-Hai railway lines and the second intercontinental bridge. Moreover, further efforts must be made in comprehensively opening up with a more distinct tilt toward the West, where the international market should be opened up in both directions. Xinjiang's opening-up is an important organic component of that which is being pursued throughout the entire country. The strategic setup of the opening-up by the whole country is gradually taking shape, or will in the future, in two open zones, namely one in the east and one in the west. There is the eastern coastline zone opening up toward the coast of the Pacific Ocean and those regions, and there is the western inland opening-up zone over the new Asian-European land bridge and directed toward the various countries of Europe, Western Asia, and Southern Asia. Because of Xinjiang's special location, natural resources, and other advantages, such as the ethnic composition of its population and culture, Xinjiang is in an extremely favorable strategic position to establish a western continental opening-up zone.

Beginning with Xinjiang's strategic position within the entire country's opening-up policy, Xinjiang's "opening up to the outside world" strategy, in a welcome start of Xinjiang's large-scale opening-up, must continue to implement a policy of "opening up in every direction, tilting toward the west, joining with the east for exports to the west, importing from abroad and of cooperating with units in the interior." However, it must at the same time accelerate its tilt toward the west and develop the international market there in both directions.

For this purpose, an inland opened-up zone should be established at the northern slope of the Tianshan Mountain range with the Urumqi-Shihezi-Karamai-Ili area as axis. The North Xinjiang railway line and the Urumqi-Ili highway shall be the main axis of this opened-up zone, which shall be supported by the economic zone in which the four large cities of Urumqi, Shihezi, Karamai, and Ili shall be growth points. This opened-up zone will on the one hand be the advance base and important causeway for the western inland opened-up zone of the entire

country and on the other hand will be Xinjiang's core support and largest base for its west-tilted economic development. Following the stepped-up normalization of Sino-Soviet relations and the establishment of a second European-Asian land bridge, the advantageous position of this zone will become increasingly apparent, and the opportunity for establishing an inland opened-up zone will reach maturity. This is Xinjiang's strategic measure of an accelerating tilt toward the West.

Furthermore, it is necessary to increase opened-up ports and establish special inland economic zones and free trade zones on the border. Special inland economic zones should be established at Ili, Kashi, and Bole to form bridgeheads and windows for the opening-up toward the West. Free trade zones and opened-up experimental zones should be established at the ports of Huo'erguosi, Tu'erduote, Takeshiken, Hongqilafu, and Alishan, to allow us to gradually broaden our experiences. Traffic and trade exchanges across the Xinjiang-Mongolian border have a historical origin and the advantage of kinship between both peoples, as well as the cultural and geographical affinity. Opened-up ports on the Sino-Mongolian border, establishing free trade zones and opened-up experimental zones would also be parts of the strategic shift toward a tilt toward the west and should equally have our serious attention. We need to enhance conditions for better economic relations with the Soviet Union, East Europe, Western Asia, and South Asia, and also for research and analysis of market requirements. We should establish bases for industries manufacturing export goods, and start up multilateral trade and exports at different levels and in different forms. In view of labor shortages in most of these neighboring countries, where floating capital is abundantly available and eagerly seeks investment opportunities, there are extremely favorable prospects to expand labor exports to these countries and territories, to undertake contracting for engineering projects abroad, to attract investments from overseas Chinese, and to develop "three-capital" enterprises. This would require enhanced propaganda and the establishment of an information network. While Xinjiang trade and export exhibitions shall be continued abroad and in Beijing, trade fairs should be experimentally held at Urumqi and Kashi, an information network established in the Soviet Union, Western Asia, South Asia, Hong Kong, and Japan, and the international market opened up in both directions. An especially favorable policy shall be formulated by exercising the rights granted in the "Law Governing Autonomy in Ethnic Minority Regions" and by provisions concerning border trade by ethnic minorities. In the near future, various effective rules and regulations shall be worked out concerning the importation of foreign capital and the encouragement of exports, and services shall be rendered in the form of social security and an infrastructure, so as to create an excellent environment for the development of an export-oriented economy.

### 3. Satisfying the Basic Needs as a Strategic Objective

Satisfying the material and cultural needs of the people of all ethnic groups is an innate demand of the socialist system, as it is also the fundamental purpose of all socialist economic activity. The theory concerning the new type of a development strategy which declares finding a solution for the problems of poverty and unemployment as its strategic objective and which aims at satisfying the basic needs of the people of all ethnic groups, conforms with the substantial demands of developing countries and also conforms, to a certain extent, to the demands of the economic laws of socialism. China, for a long time, has followed a traditional development strategy by pursuing one-sided industrialization and rapid growth of industrial and agricultural output value. This has not only not narrowed but in fact has widened the disparity with the developed countries. Xinjiang is at a comparatively low level in the initial stage of socialism and therefore feels a much more eager desire to "catch up and overtake" the developed countries, while the influence and restrictions exercised by its traditional development strategy are much greater. The result is that the two disparities (i.e. Xinjiang in relation to the rest of China and the disparity between southern Xinjiang and northern Xinjiang) are growing larger, while the various ethnic minority groups remain poverty-stricken and backward. Up to now, Xinjiang's three large economic indicators, its gross national products, the gross output value of its industry and agriculture, and its national income, are each approximately 1 percent of these same figures for the entire country. Its national income is to the largest extent used up in consumption, and public finance is only to 40 percent self-sufficient, while expanded reproduction relies on financial subsidies and capital construction investments by the central authorities, and there is almost no capability for self-development. Output value of agriculture and animal husbandry and of industries using agricultural and animal husbandry products as raw materials account for about two-thirds of the gross output value of industry and agriculture, which is over half of its national income. Take, for example, the economic disparity with the whole country in the per capita gross output value of industry and agriculture: there was a difference of 178 yuan in 1980 between the average in Xinjiang and the country as a whole, in 1987 the difference was 350 yuan; in 1990 the difference was about 470 yuan. The disparity between southern Xinjiang and northern Xinjiang is also widening, much like the disparity between Xinjiang and the rest of the country. The population of southern Xinjiang accounts for 47 percent of the entire Xinjiang population, but gross output value of industry and agriculture is only 16 percent of Xinjiang's. There are 13 counties in poverty in Xinjiang, of which 11 are in southern Xinjiang, and the problem of clothing and feeding the people has remained unresolved. This illustrates the extreme necessity for Xinjiang to pursue the new strategy, which as its objective, is satisfying basic needs.

In order implement the new strategy in southern Xinjiang, first it is necessary to deal effectively with the

relation between fighting poverty and development. Everybody knows that the fundamental way from poverty to prosperity is the development of all kinds of natural resources. However, southern Xinjiang has poor transport facilities, is economically and culturally backward, and is not capable of undertaking development by itself. Because of limited financial resources and the disparity in economic efficiency, in the near future it will not be possible to locate key development projects in southern Xinjiang. This may further aggravate the disposition of productive forces and the developmental imbalance between southern and northern Xinjiang. I believe that the fundamental way out of poverty and toward prosperity for the people of southern Xinjiang remains the development of the abundant natural resources of southern Xinjiang, especially petroleum resources. That means deciding that petroleum development and related processing industries should be the leading industry, which can stimulate the development of other industries and ultimately stimulate the entire southern Xinjiang economy.

At the same time, energetic development should be undertaken in developing human resources, using science and technology to improve agriculture and help overcome poverty. Southern Xinjiang is essentially an agricultural region, and its agricultural population accounts for 54.94 percent of the total agricultural population of the whole region. However, its arable land is only 39.25 percent of all the arable land of the entire region, and each square km of arable land provides a livelihood for more than twice the people compared to northern Xinjiang. This clearly illustrates that there is a surplus of agricultural population in southern Xinjiang. Traditional agriculture predominates in southern Xinjiang; it is a typical oasis economy. Cotton is southern Xinjiang's most important cash crop, but its cultivating technique is backward, and quantity and quality are unreliable. The development strategy for the whole area must therefore enhance its strategic investment in the development of southern Xinjiang's manpower resources and in the training of qualified personnel. By implementing the principles of "use science and technology to improve agriculture" and "use science and technology to help overcome poverty," we must help the people of various ethnic groups to scientifically plant their fields and grow cotton, thereby ensuring a steady increase in cotton exports for the state and the whole region, and income for the peasants of all ethnic groups. Science and technology, combined with an abundance of natural resources, is bound to result in a large economic gain. An energetic development of commodity economy and an accelerated buildup of the infrastructure are equally important. The people of southern Xinjiang have generation after generation limited themselves to agricultural production. In addition, there is the dispersed and regionally separated nature of oasis economy, the people have little commodity concept, market development and urbanization are at low levels; in addition,

communications facilities are poor, information is inaccessible, and commodity economy is very much underdeveloped. Although opening up and reform did emphatically promote a shift toward commodity economy, southern Xinjiang still remains in a rather backward and isolated condition. Thus, this is a task of top priority for southern Xinjiang to find ways to promote commodity economy and create an excellent environment for large-scale constructions by the state and autonomous regions, and also to provide an excellent environment for the attraction of foreign capital.

The strategy of satisfying basic needs must also consider reduction of the birth rate and providing more employment opportunities for the urban and rural population which will result in a higher living standard for the people, allowing their early escape from poverty and advancement toward prosperity. The excessive birth rate is one of the major factors that restricts the economy of Xinjiang. According to sample investigations of the population conducted in 1987, the natural population increase rate in Xinjiang is by 3.82 per thousand higher than in the whole country, which is the fastest population growth of the various ethnic minority groups. Excessively high population increases result in a large decline in the ratio of economic growth versus population increase, and creates more serious pressure on productive forces. Taking the period from 1978 to 1987 as example, the national income of the whole region increased 2.56 times at an annual average rate of 11.01 percent, but because the gross population increase was 14.06 percent, the average per capita national income increased only 2.16 times, at an average annual increase of 8.91 percent, and by 19.07 percent below the growth rate of the national income, while the consumption level of the citizens increased at an average annual rate of only 7.89 percent, which again is lower by 10.43 percent than the average annual increase rate of the national income. This situation is even more serious in southern Xinjiang. It is therefore necessary to initiate large-scale propaganda and implement the family planning regulations for ethnic minorities in the autonomous regions; effective control of population growth is, of course, an extremely important strategic measure for Xinjiang.

#### Statistics on Economic Growth in 7th Five-Year Plan

91CE0406A Guiyang GUIZHOU RIBAO in Chinese  
2 Feb 91 p 1

[Report by the Comprehensive Section of Guizhou Province's Statistical Bureau: "Guizhou's Economic Strength Further Enhanced During the Seventh Five-Year Plan"]

[Text] By adhering to reform and opening-up policies and going all out to develop production, Guizhou Province has achieved overall development in its rural economy, overfulfilled its industrial production quota, increased fixed assets by 9.4 billion yuan, nearly quadrupled foreign exchange earned from exports, and notably increased people's living standards.

During the Seventh Five-Year Plan, Guizhou Province persisted in reform and opening-up policies and facilitated economic development. Meanwhile, it implemented improvement and rectification measures, putting all kinds of relationships in order. It achieved sustained economic growth, and notably enhanced its economic strength. This has laid a good foundation for sustained, stable, and coordinated development during the Eighth Five-Year Plan and in 1990's.

The average annual growth rate of Guizhou Province's gross national product [GNP] during the Seventh Five-Year Plan was 6.7 percent. The preliminary estimate of the total amount is 25.6 billion yuan, an increase of 13.2 billion yuan over 1985. The increase is twice the size of that in the Sixth Five-Year Plan. In particular, the first half of the Seventh Five-Year Plan saw an even quicker increase. The target of doubling the value of Guizhou's national economy was met ahead of schedule, in 1987.

Departments at all levels focused closely on rural economic development. Particularly in the second half of the Seventh Five-Year Plan, great attention and support and help were given to agricultural development. In terms of policies, the rural household responsibility system was stabilized and perfected. In terms of investment, funds and materials were slanted particularly towards agriculture. The application of science and technologies to agriculture was also particularly implemented. At the same time, the development of nonagricultural trades was encouraged and aided. In the deepening of reform, the overall rural economy developed comprehensively. In 1990, the gross value of agricultural output [GVAO] in Guizhou was 13.982 billion yuan, an increase of 23.8 percent over 1985, using constant prices. The average annual growth rate was 4.4 percent. The proportion of nonagricultural trade—such as rural industry, construction, transportation, and services—in the gross value of social output in rural areas increased from an average of 21 percent during the Sixth Five-Year Plan to an average of 25 percent during the Seventh Five-Year Plan. By the end of the Seventh Five-Year Plan, the gross value of social output in rural areas was 18.579 billion yuan, an increase of 9.046 billion yuan over 1985.

During the Seventh Five-Year Plan, total grain output was 34,107,600 tons, an increase of 1.337 million tons over output in the Sixth Five-Year Plan. Two major cash crops, cured tobacco and rapeseed, had new breakthroughs during the Seventh Five-Year Plan compared to their harvests in the Sixth Five-Year Plan. The total output of cured tobacco was 1,298,100 tons, an increase of 398,400 tons over the Sixth Five-Year Plan. The output of rapeseed was 1,891,300 tons, an increase of 304,000 tons.

During the Seventh Five-Year Plan, industrial enterprises faced many difficulties, yet still made remarkable achievements. In order to deepen enterprise reforms, governments at all levels made and implemented a series of measures to vitalize industries owned by the whole people and to support the development of collective and private enterprises. They encouraged the industrial cooperation across

regions and trades, so as to engage in productions and business activities on a larger scale and achieve a stronger competitive edge through the superiority of enterprise groups. Meanwhile, defense industrial enterprises speeded up the pace of developing civilian products. Key local enterprises engaged in technological improvements and expanded their current production capacity. Guizhou Province's gross value of industrial output [GVIO] surpassed its planned growth target. According to preliminary statistics, total GVIO reached 21.791 billion yuan, an increase of 59.9 percent over 1985, in constant prices. The average annual growth rate was 9.8 percent, 0.7 percent higher than the targeted growth rate. The number of joint ventures increased from only one enterprise in 1985 to 13 by the end of the Seventh Five-Year Plan.

The production of major industrial products increased a lot. As far as light industry is concerned, Guizhou enjoys superiority in cigarette and liquor production. In 1990 cigarette and liquor production increased by 96 percent and 52.8 percent respectively over 1985. Newly developed products, such as color televisions, washing machines, and refrigerators, developed from small, batch production to large production, and their production doubled. In heavy industry, energy production of coal and electricity maintained their growth momentum; their average annual growth rates were 8.2 percent and 5.8 percent respectively in the Seventh Five-Year Plan. The production of steel, phosphorus ore, oxidizing aluminum, pig iron, and other raw materials, and the production of chemical fertilizers, synthetic ammonia, and other agricultural means of production also enjoyed various growth.

During the Seventh Five-Year Plan, units owned by the whole people in Guizhou Province completed investments in construction, replacements, and transformations totaling 14 billion yuan, compared to the Sixth Five-Year Plan, the total volume of completed investments rose by 7.25 billion yuan, an increase of 108 percent. Of the total amount, 72.8 percent of investment was used in production. It was a 140-percent increase over the Sixth Five-Year Plan. At the same time, there was a tilt towards construction of basic industries. Comparing the Seventh to Sixth Five-Year Plans, investment in energy and raw material industries increased 130 percent, and the proportion of investment increased 5.6 percent. Investment in transportation and telecommunications increased 95 percent, while investment in agriculture increased 51 percent.

During the Seventh Five-Year Plan, through capital construction, replacement, and transformation, Guizhou Province added 9.4 billion yuan in new fixed assets, an increase of 3.87 billion yuan over the Sixth Five-Year Plan. One after another, Guizhou built two, 200,000-kilowatt thermoelectric power generators at the Qingzhen Power Plant; a coal mine with a production capacity of 900,000 tons at Naluozhai in Shuichen; and a phosphorus mine in Kaiyang which can produce 500,000 tons of phosphorus ore. Guizhou also built the Guizhou Aluminum Plant, with a production capacity of 180,000 tons of aluminum; a cement production line with a production capacity of 280,000 tons at the Dujun Cement Plant; and

it added 800 tons in production capacity to the Maotai Brewery. In addition, Guizhou completed some key technological transformation projects. New production capacity includes mainly 9 million sets of bearing, 299,000 sets of electric switches, and 67,000 tons of ferroalloys. These construction achievements expanded Guizhou's scale of industrial production and added staying power to its future development.

During the Seventh Five-Year Plan, Guizhou also made notable achievements in foreign trade. Its export volume during the period nearly quadrupled. Its products were exported to 59 countries and regions, as compared to 32 in 1985. The number of products manufactured in Guizhou which earned over \$1 million through exports increased to 32.

During the Seventh Five-Year Plan, urban residents' income increased a lot due to the general increase in employees' salaries and to the further development of private sectors in areas like production, circulation, and construction. The state continued to keeping prices for grain purchases and sideline products high, and increased investment in agriculture. Peasants' income saw sustained growth. During the Seventh Five-Year Plan, the average annual increase in employees' income was 11.4 percent, while peasants' net incomes increased 7.6 percent on average each year. With the increased income, residents in both urban and rural areas expanded their spending. Their living standards improved further. Notable changes were characterized by the increase in nutrition in their diets and by improved housing conditions, with more space. During the Seventh Five-Year Plan, the per capita housing space for urban residents and rural farmers increased two and three square meters respectively compared with the space during the Sixth Five-Year Plan. In addition, the quantity of durable consumer goods owned by residents increased notably. In urban areas, the number of color televisions, refrigerators, and cameras per 100 households had more than doubled by the end of the Seventh Five-Year Plan when compared to the end of the Sixth Five-Year Plan. In rural areas, the number of bicycles, black-and-white televisions, and tape-recorders per 100 households increased by 100 to 300 percent.

#### Overall Development of Guizhou's National Economy

Target	1985	1990	Percent Increase from 1985 to 1990
GNP (100 million yuan)	123.93	256.00	38.1
Gross value of industrial and agricultural output (100 million yuan)	168.43	357.73	45.7
GVIO (100 million yuan)	98.19	217.91	59.9
GVAO (100 million yuan)	70.24	139.82	23.8
Local State Revenues (100 million yuan)	15.17	35.13	131.6

Note: Output values are calculated according to current prices while growth rates are calculated according to constant prices.

#### Market Sales and the Urban, Rural Incomes

Target	1985	1990	Percent Growth from 1985 to 1990
Total Retail Sales of Social Commodities (100 million yuan)	57.17	93.99	64.4
Retail Sales of Consumer Goods (in 100 million yuan)	52.24	83.30	59.4
Retail Sale of Means of Agricultural Production (in 100 million yuan)	4.92	10.69	117.3
Per Capita Urban Income for Living Expenses (yuan)	614	1,174	91.2
Farmers' Per Capita Net Income (yuan)	302	435	44.0
Individual Savings in Urban and Rural Areas (100 million yuan)	16.61	60	361.2

#### Symposium Discusses Shanghai Economy

91CE0401A Shanghai JIEFANG RIBAO in Chinese  
4 Feb 91 p 5

[Article by Yan Xin (0917 0207): "Probe the Fundamental Situation of Shanghai's Economic Development; Spur Shanghai's Economy To Move Upward Along the Right Track"]

[Text] A few days ago, the Municipal Research Office and the Municipal Economic Information Center jointly convened a "Symposium on Analysis of Special Economic Topics," to discuss the basic status of Shanghai's economy as we enter the Eighth Five-Year Plan developmental period. After departments responsible for comprehensive economic management presented an introductory overview of the economy, specialists at the symposium analyzed Shanghai's economic situation for the past several years. They believe that after going through two years of improvement and rectification, there is evidence that the shallow contradictions in Shanghai's economy resulting from continuous price inflation, just as with the entire nation's economy, are beginning to show obvious signs of resolution. However, they went on to divulge the deep-seated contradiction that benefits are on a steady downward slide. Economic development in the 1990's will require putting overall economic work on a course which places a realistic stress on benefits, on the results of consolidation and economic development reform, on opening, improvement, and rectification. This will gradually perfect the mechanisms for economic flow, in order to accomplish the strategic goals of the second stage of socialist modernization. The symposium stressed questions of markets, funding and financing, with the main viewpoints summarized as follows:

**I. The Shanghai Consumer Goods Market Is Gradually Returning to Normal, But Is Still Not Completely Out of Its Slump. After Close Attention Is Given to Extending 1990 Credit and Loans, a New Situation Could Appear in the Market.**

1. The 1990 Shanghai consumer goods market is gradually returning to normal. The chief indicators of this are: (1) at the end of the month, the total volume of retail sales since August 1990 had begun returning to the level prior to the market "slump." Retail sales in the suburban and county districts, which had lagged behind the city for three months, have also begun to rise, with a clear demarcation between peak and off-season sales; (2) the continual rise in prices has been brought under control, with the relationship between value and supply having a greater bearing on the actual retail price of products; (3) consumers are in a stable buying mood, with several adjustments in savings interest rates and prices causing no great fluctuations in the market. The residential savings rate in 1990 was about 18 percent, basically in line with the current planned spending level of residential income for that period. Besides these, Shanghai's production materials market is also returning to normal, along with the rise in production and the increasing investment in basic construction.

2. The 1991 market for consumer products is still experiencing slow growth. The principal evidence of this is an overall surplus of consumer goods and production materials, and the fact there is still a fairly large gap between the increase in market consumption and the already depressed rate of growth in industrial production, so that the current demand for production capacity cannot be met. The explanation for this developmental situation lies in the present manufacturing structure and level of consumption; the markets in Shanghai and the entire nation will possibly all still be growing slowly in 1991, perhaps not being finally free of this situation before the spring of 1991 or a bit later. However, we cannot place our hopes for economic growth in the "recovery" of the domestic consumer product market; rather, we should continue the vigorous development of domestic markets (especially agricultural markets) through adjusting the structure, improving product quality, developing new product varieties, lowering costs, and strengthening sales; this applies even more to international markets.

3. Pay close attention to the new trends in the 1991 market. There was a 20 percent increase in credit in 1990, the most for any year since 1987. There was more than a 24 percent increase in extended loans, surpassing those during the "panic buying" of 1988. The effect of credit and loan flexibility in general created new pressures on a market that, for about one-half a year, was sluggish, and it is predicted that this will possibly be reflected in the market during the latter half of 1991. It is worth noting that since 1975, China's consumer product market has shown a consumption peak roughly every four years. That is, in October 1975, September 1980, February 1985, and August 1988, according to this

cycle. Estimates are that the next peak could come in August 1992. When considering the just-mentioned factors, one must pay close attention to the changing conditions in the consumer market.

**II. The Money Supply Is Moving Towards Flexibility, But the Circulation of Money Is Still Not Beneficial. During the Period of the Eighth Five-Year Plan, Shanghai Will Fully Utilize the Financial Reform Policies Sanctioned by Central Authorities, Expanding the Money Supply Through a Variety of Forms, While At the Same Time Making Financial Investment More Beneficial.**

1. Financial investment increased in 1990, but did not show the anticipated effects. In 1990, there was a relatively large increase in savings in Shanghai. By the end of December, the proportion of all types of savings increased 29.6 percent, with every kind of loan increasing 22.8 percent. By year's end, the newly increased scale of credit added such financial savings mechanisms as cross-trading, central loans, upward investment and municipal credit cooperatives. According to the calculated average historical level, these are sufficient to sustain the Shanghai economy at a 7 to 8 percent growth rate. However, the industrial output value increased by only 4 percent for the entire year. Nor did the total financial investment provide the appropriate economic impetus; rather, it affected the tight money supply in every regard. The problems are that consumption in Shanghai is still weak relative to production capacity, and triangular debts are cleared up on one end and yet still outstanding on the other; these things which hamper the production cycle in society have still not been eliminated. What worries people is that the financial application of benefits continues to fall. Statistics show that in 1990, the profit rate for industrial enterprises owned by the whole people was 6 percent lower than it was in 1987. The decline in financial benefits weakened the motive force of credit in the economy.

2. The demand for funds will peak in the 1990's. The massive fiscal demands, the ability to put funds to use and actual benefits not being ideal are problems in Shanghai's economic development which are worthy of attention during the period of the Eighth Five-Year Plan. Financial investment in basic facilities in the Pudong Development Area and the city of Shanghai will peak during the period 1992 to 1994. Massive financial investment will be required for building basic municipal facilities, adjusting the product structure and for the technological transformation of industry. For this reason, experts recommend that Shanghai must make good use of the policies already handed down from central authorities, integrating enterprise reform and financial reform; and through such instruments as bonds spread unused capital, change from a situation where banks alone provide support and take the risks, to one where government financial authorities assume some responsibility. On the other hand, credit, profits and tax receipts still are all less flexible than they should be, and

the benefits of fund use should be improved. In addition, during the adjustment we should seriously direct enterprises to find their most accurate product and technological structure, gearing them to discover internal management talent, raise money and other important benefits produced by investment.

**III. Although Financial Income Is Climbing, Economic Benefits Are Declining In Industrial Enterprises Owned Wholly By the People, the Chief Source of That Income. This is the Deeply-Layered Crisis Facing Shanghai Financially.**

1. The financial situation has still not taken a turn for the better. Financial income in Shanghai has fallen steadily since 1980 (by an average 3 to 4 percent annually). This income rose in 1989 and 1990, with two factors responsible for this recovery: (1) In the financial income structure, there was a greater proportion of industrial and commercial tax revenues, while the amount of product and business taxes in the revenues are directly related to price, and price inflation carried with it a corresponding increase in financial income. (2) Industrial and commercial enterprises are not repaying their loans; they are either not repaying or they are utilizing special funds, to ensure that the basic financial figures handed up do not decline, and thereby ensure that the amount distributed among workers does not decline. It is easy to see from this that the result of the 1990 rise in financial income was not beneficial.

2. The continual decline in enterprise benefits is a deeply layered crisis confronting Shanghai's financial income. Experts realize that while financial income is increasing, the economic benefits of enterprises are sliding constantly downward. Local enterprises of all the people, the chief source of Shanghai's financial income, had a 2.5 percent decline in total output value in 1990, while there was a 1.5 percent increase in income from product sales. However, realized profits and taxes and remitted profits and taxes continued to fall, with realized profits and remitted profits dropping the greatest. If this decline in enterprise benefits is not changed quickly, it will be difficult to sustain the growth in Shanghai's financial income.

**IV. Accelerate Construction of Basic Facilities and Raise Enterprise Benefits To Reestablish the Competitive Dominance of Shanghai Products: These Are the Two Key Items in Shanghai's Economic Work During the Period of the Eighth Five-year Plan.**

1. A major reason for the decline in Shanghai's economic benefits is the weakening of the city's basic facilities, which have been historically strong. Experts at the symposium believe that in the first 30 years after liberation, Shanghai's economic benefits was derived from three things: first, low cost raw materials resulted in high profits; second, the benefits resulting from an oversized economic structure; and third, making the fullest use in economic construction of the facilities that were already there. For several years now, due to a slakening off in

investment in basic facilities, the "principal" has been exhausted, with a weakening of its historically strong basic facilities.

In recent years, Shanghai has begun emphasizing making a greater effort in this work, but it still is not appropriate to what is needed for municipal and economic development, and the dropoff in construction of basic facilities has become a major reason for the annual decline in Shanghai's economic benefits. There will be increased construction of basic facilities during the period of the Eighth Five-year Plan, very possibly bringing about a developmental situation in which basic facilities surpass what there was previously.

2. Raise enterprise benefits to reestablish Shanghai's competitive dominance. Since reform and opening, China's economy has formed a pattern of regional competition. This regional competition takes three forms, i.e., competition for investment, competition for policies, and competition for markets. As the various measures for control and rectification come into place, competition in the 1990's will turn chiefly to product market competition.

In recent years, various places in China, especially Guangdong and Fujian, have formed a fairly high level of product manufacturing ability. They have, or are just in the process of, crowding into the domestic markets formerly dominated by Shanghai products (including the Shanghai market itself). During the period of the Eighth Five-year Plan, China's southern provinces of Guangdong and Fujian will more forward in expanding the funding they bring in from outside, chiefly from Hong Kong and Taiwan, while in the north, Shandong and Liaodong (the area encircling the Bohai Sea) will do likewise, chiefly with funding from Japan. These areas, besides climbing new stairs in industrial products, will continue to increase their radiative power in national markets (especially products of jointly funded enterprises). To counter this competitive situation, Shanghai must seize the moment provided by the opening and development of Pudong, making maximum use of policies in effect, guided by the market. Speed up product development, to increase competitive strength under new circumstances. At the same time, we should see that there is another aspect to regional competition: regional protectionism is not only the outcome of regional financial responsibility, it is also an objective inevitability which can appear in different situations during any phase of the development of a commodity economy. In a situation where the commodity market is both circulating and blocked, the only recourse is to break through those blockages by bringing into full play the advantages some specific commodities have in their circulation. But we cannot rely totally on administrative measures to create a fully circulating market. A case in point is that so many products from Guangdong and Fujian have penetrated the Shanghai market.

In the 1990's, Shanghai's industrial products must challenge the regional competition we are facing. We must



set about raising the economic benefits of enterprises through three approaches, to reestablish Shanghai's competitive dominance: first, in such matters as funding, we must adopt policies which encourage enterprises, speeding up the enterprises' technological transformation and strengthening their reserves; second, enterprises must increase their research on new products more than previously, to anticipate those items that crowd into the market; and third, adopt a variety of styles to form new enterprise groups, generating returns to scale as quickly as possible.

### Sichuan 1990 Economic, Social Statistics

91CE0483A Chengdu SICHUAN RIBAO in Chinese  
28 Feb 91 p 2

[Article: "Sichuan Provincial Statistical Bureau Statistical Communique on National Economic and Social Development in 1990 (28 February 1991)"]

[Text] Under leadership of the party and government, all nationalities throughout the province strove together to improve the economic environment and rectify the economic order during 1990, scoring further achievements. Industrial production increased rapidly following a slide, fluctuations, and an upturn, maintaining growth momentum for the year as a whole. Agriculture triumphed over drought and flooding disasters to bring in a bumper harvest, gross output of grain reaching an all-time high. Markets weathered a slump, sales gradually rallying. Prices remained substantially stable with inflation being brought under effective control. The national economy as a whole continued to move forward, with new achievements in all undertakings. Preliminary statistics show a gross national product [GNP] for the year of 109.17 billion yuan in a 4.2 percent increase over 1989 for a 1.2 fold increase over 1980. [See Notes] The strategic goal of doubling GNP by the end of the Seventh Five-Year Plan was fulfilled ahead of schedule. National income amounted to 94.11 billion yuan in a 3.9 percent increase. Gross output value of industry and agriculture was 180.438 billion yuan (or 116.662 billion yuan when figured in terms of constant 1980 prices), up 5.9 percent. Major problems existing in development of the national economy were as follows: Severe accumulation in inventory of finished industrial products, an increase in the number of industrial and commercial enterprises losing money, an increase in financial losses, and a decline in economic returns. Readjustment of the economic structure slowed, and market competitiveness of products weakened. Peasants increased outputs with no increase in earnings.

### 2. Agriculture

During 1990, the province continued to give first place to agriculture in economic activity. It stabilized and perfected rural economic policies, strove to increase investment in agriculture, took a firm grip on the application of science and technology to the advancement of agriculture, fought disasters to bring in a bumper harvest, and promoted the steady growth of agricultural production. The farming industry brought in a bumper harvest, and production in the livestock industry, sideline occupations, and the fishing industry moved ahead. The gross output value of agriculture for the whole year was 60.305 billion yuan (or 32.611 billion yuan at constant 1980 prices), up 5.6 percent from 1989. This included a 6.6 percent increase in the output value of the farming industry, a 4.6 percent increase in the output value of animal husbandry, a 6.9 percent increase in the output value of sideline occupations, and a 2.3 percent increase in the output value of the fishing industry. Output value of forestry remained at the 1989 level.

Output of major farm crops included another all-time high record for gross output of grain, and an increase in major farm products such as cotton, oil-bearing crops, sugarcane, jute and ambari hemp, silkworm cocoons, and fruit. Outputs of flue-cured tobacco and tea maintained the 1989 level.

Outputs of major farm crops were as follows:

Outputs of Major Farm Crops		
	1990	Percent Increase Over 1989
Grain	42.66 million tons	4.5
Cotton	115,000 tons	35.3
Oil-bearing Crops	1.568 million tons	11.4
Including: Rapeseed	1.274 million tons	12.9
Sugarcane	2.331 million tons	1.7
Jute and Ambari Hemp	87,000 tons	14.5
Silkworm Cocoons	142,000 tons	6.8
Fruits	1.272 million tons	2.0

Outputs of major forestry products increased in varying degrees. Output of raw lacquer for the year was 694 tons, up 21.5 percent; tea oil seed output was 3,407 tons, up 21.2 percent; and tung oil seed output was 116,000 tons, up 2.7 percent. The afforested area was 5.406 million mu, substantially the same level as in 1989.

Livestock industry production developed steadily. The number of fattened hogs removed from inventory continued to increase, breaking the 60 million mark. Numbers of draft animals, hogs, sheep and goats in inventory at the end of the year increased. Output of livestock products including meat, poultry, eggs, wool, and milk increased in varying degrees.



Outputs of major livestock products, and numbers of livestock were as follows:

Major Livestock Products Output and Numbers of Livestock		
	1990	Percent Increase Over 1989
Pork, Beef, and Mutton Output	3.996 million tons	3.9
Including: Pork Output	3.898 million tons	4.0
Wool Output	2,744 tons	8.1
Number of Porkers Removed From Inventory	60.949 million head	4.3
Number of Draft Animals in Inventory at year End	10.88 million	3.4
Hogs in Inventory at Year End	65.334 million	1.5

Fishing industry output continued to increase. Aquatic products output for the year was 236,400 tons, up 5.8 percent from 1989.

Investment in agriculture increased, production conditions improving. Provincial government expenditures to support rural production rose 33.6 percent in 1990 over 1989. Peasant household investment also increased. A firm grip was taken on the application of science and technology to the building of agriculture, thereby infusing new vitality into agricultural production. Farmland capital construction increased. A total of 1.94 million tons (scalar amount) of chemical fertilizer was used in agriculture during the year, in a 14.1 percent increase over 1989. Rural use of electricity stood at 4.14 billion kwh, up 2.7 percent. A total of 12.59 billion watts of machine power was in use in agriculture as of the end of the year, up 4.1 percent from 1989. This included 2.763 million watts used for drainage and irrigation machinery, up 0.8 percent. However, the number of large tractors, farm trucks, small hand tractors, and large- and medium-sized machine-drawn farm implements used for farming and hauling were fewer than in 1989.

Township and town enterprises developed despite hardships. Gross output value of township and town enterprises for the year was 45.714 billion yuan, up 13.4 percent from 1989.

The rural economy continued to expand. Rural prevailing price social output value for the year was 101.997 billion yuan, up 9.3 percent from 1989. [See Notes] This included a 13.3 percent rise in rural industry, the construction industry, the transportation industry, and the commercial beverage and food industry.

## 2. Industry

As a result of slow market commodity sales and the shortage of funds, the province's industrial production

declined several months in a row. Thanks to arduous efforts throughout the province, an upturn began in June. After September, the speed of the rally accelerated, a certain amount of growth being maintained for the year as a whole. Gross industrial output value for the year was 120.133 billion yuan (or 84.051 billion yuan at constant 1980 prices), up 6.0 percent from 1989. This included a 3.6 percent increase in industries at the township level and above. Included in the gross output value of industry was a 1.2 percent rise in the gross output value of industries under ownership of the whole people, an 8.6 percent rise in industries under collective ownership (including a 14.6 percent rise in township-operated industries), a 26.3 percent rise in individually owned industry, and a 38.4 percent rise in Sino-foreign joint venture and wholly foreign owned industries.

The industrial structure was preliminarily readjusted. Light and heavy industry grew at substantially the same rate. Output value of the province's light industry was 55.646 billion yuan, up 6.0 percent. Output value of heavy industry was 64.487 billion yuan, up 5.9 percent. Output of principal energy source, major raw and processed materials and some products for the support of agriculture increased steadily. Output of some light and textile industry products and industrial wares used in daily life that assure effective social supply increased substantially. Production of some high and intermediate grade durable consumer goods, machine tools, and tractors that experienced sales difficulties decline.

Output of major industrial products was as follows:

Output of Major Industrial Products		
	1990	Percent Increase Over 1989
Chemical Fiber	36,800 tons	14.6
Cotton Yarn	146,200 tons	-9.5
Cotton Cloth	808 million meters	-5.3
Silk	14,500 tons	5.1
Silk Fabrics	130 million meters	19.3
Machine-made Paper and Paper Board	770,200 tons	-3.2
Sugar	150,730 tons	4.1
Crude Salt	2,371,900 tons	5.6
Cigarettes	1,779,700 cases	-0.4
Television Sets	1,520,500	-6.1
Including: Color Televisions	872,500	-16.4
Household Washing Machines	331,600	-40.1
Household Refrigerators	217,000	-40.6
Gross Output of Primary Energy (in terms of standard coal)	62,536,100 tons	-3.6

Output of Major Industrial Products (Continued)

	1990	Percent Increase Over 1989
Raw Coal	67,572,400 tons	-5.3
Natural Gas	6.63 billion cubic meters	2.7
Electric Power Gen- eration	34.048 billion kwh	4.1
Including: Hydropower	14.965 billion kwh	1.9
Steel	4,924,600 tons	4.1
Steel Products (Fin- ished Steel Products)	3,406,100 tons	0.8
Cement	13,506,700 tons	-3.3
Timber	3.792 million cubic meters	-4.8
Sulfuric Acid	1,105,800 tons	3.2
Soda Ash	336,700 tons	19.4
Caustic Soda	240,600 tons	5.3
Chemical Fertilizer (Scalar Quantity)	1,793,400 tons	8.7
Including: Nitroge- nous Fertilizer	1,308,100 tons	8.3
Chemical Pesticides (Crude Pesticide)	6,545 tons	2.7
Agricultural Plastic Sheeting	6,000 tons	-13.5
Electric Power Gen- erating Equipment	2.928 million kw	17.5
Metal Cutting Machine Tools	3837 sets	-44.0
Motor Vehicles	27,500	No Change
Small Tractors	13,500	-16.7

Industrial economic returns declined. The all-personnel labor productivity rate for independently accounting industrial enterprises under ownership of the whole people throughout the province was 14,561 yuan in 1990, up only 0.3 percent over 1989. Total energy consumption per 10,000 yuan of output value in the industrial sector was 60,100 tons standard, down 0.3 percent from 1989. Profits and taxes of state-owned industrial enterprises within local budget declined 32.5 percent from 1989, total losses increasing 3.4-fold. Comparable product costs rose 6.7 percent. Capital tied up in finished products amounted to 6.487 billion yuan, up 35.8 percent. Turnover time for fixed quota circulating capital lengthened to 28 days. The profit and tax rate on sales earnings and the profit and tax rate on capital declined 3.49 and 5.5 percentage points respectively.

### 3. Investment in Fixed Assets, and the Construction Industry

During 1990, Sichuan Province diligently carried out a policy of "controlling aggregates, readjusting the structure, emphasizing key points, and improving returns" in

further readjustment of the investment structure and further bolstering of key construction. Investment in social fixed assets for the year totaled 21.471 billion yuan, which was 1.04 billion yuan more than in 1989. After deducting for noncomparable commodity housing statistic factors, the increase was 2.4 percent. This included a local government investment of 14.719 billion yuan, up 865 million yuan in a 2.0 percent increase. Of the total social investment in fixed assets, units under ownership of the whole people invested 16.202 billion yuan, 1.794 billion more than in 1989 in an 8.4 percent increase. City and countryside collective investment rose, and city and countryside individual investment continued to decline.

Capital construction investment by units under ownership of the whole people increased. In 1990, 6,400 capital construction projects were built throughout the province, 374 more than in 1989. Investment totaled 9.012 billion yuan, up 791 million yuan in a 9.6 percent increase. This included a local government project investment of 4.695 billion yuan, up 765 million yuan in a 19.5 percent increase. Investment in energy industries totaled 3.193 billion yuan, up 0.5 percent and accounting for 35.4 percent of total investment. Investment in agriculture totaled 360 million yuan, up 38.7 percent and accounting for 4 percent of total investment. Investment in transportation, posts, and telecommunications totaled 703 million yuan, up 5.9 percent. Investment in the scientific research, and in the cultural, education, and health sectors increased 3.2 and 10.0 percent respectively. Of the total investment in capital construction under ownership of the whole people, 6.438 billion yuan was invested in productive construction. This was a 12.9 percent increase over 1989, the proportion rising from 69.4 percent in 1989 to 71.4 percent in 1990. Investment in nonproductive construction totaled 2.574 billion yuan, up 2.2 percent, the proportion declining from 30.6 to 28.6 percent. A total of 3.826 billion yuan was invested in 38 provincial government designated key construction projects. This represented 99.2 percent of plan investment for the year, and 42.3 percent of the investment in capital construction.

Principal production capacity and returns provincewide from the new capital construction were as follows: 1.09 million tons of coal mining capacity; ability to deliver 119 million cubic meters of natural gas, an installed electric power capacity of 790,000 kilowatts, 10,000 tons of synthetic ammonia, manufacture of 100 railroad freight cars, 14,300 tons of chemical fibers, a daily supply of 200,000 tons of running water. Expansion of the Chengdu thermal power plant, and construction of the Fulinglongqiao power plant, and the No 6 Chengdu Running Water Plant were completed according to plan and the plants went into production.

An upturn began in investment for renovation and technical transformation. During 1990, units under ownership of the whole people invested 5.4 billion yuan in renovation and technical transformation. This was 6.2 percent more than in 1989. Of the 4,383 projects under

construction, construction was completed on 2,072, which went into production. Newly added fixed assets were valued at 4.522 billion yuan. Of the total investment in renovation and technical transformation, 1.374 billion yuan was used to increase product varieties and improve product quality, the proportion of investment for these purposes rising from 18.2 percent in 1989 to 25.5 percent in 1990. A total of 2.242 billion yuan was spent to increase production capacity and save energy. The proportion of investment for this purpose declined from 48.6 percent in 1989 to 41.5 percent in 1990.

The construction industry moved ahead despite difficulties. In 1990, construction industry enterprises under ownership of the whole people built 8,689 projects under various contract responsibility systems. This was 89.1 percent of all construction projects, and accounted for a 12.17 million square meter area, which was 94.2 percent of the total area constructed. The gross output value of construction completed during the year was 5.76 billion yuan, up 11.8 percent from 1989. The all-personnel labor productivity rate was 12,051 yuan, up 5.2 percent.

#### 4. Transportation, Posts, and Telecommunications Industry

During 1990, except for a rise in air transportation, all other transportation production declined. Traffic volume for all forms of transportation was as follows: [See Notes]

**Traffic Volume For All Forms of Transportation**

	1990	Percent Increase Over 1989
Freight Turnover Volume	41.613 billion ton kilometers	-4.1
Railroads	34.511 billion ton kilometers	-1.5
Highways	2.1 billion ton kilometers	-12.7
Water Transportation	4.94 billion ton kilometers	-16.6
Air Transportation	62 million ton kilometers	12.0
Passenger Turnover Volume	31.673 billion ton kilometers	-6.5
Railroads	10.413 billion ton kilometers	19.9
Highways	17.4 billion ton kilometers	-0.7
Water Transportation	1.2 billion ton kilometers	-11.6
Air Transportation	2.66 billion ton kilometers	33.5

Province transportation sector freight shipments out of Sichuan via the Chang Jiang amounted to 2.45 million tons, down 23.0 percent from 1989. Turnover volume was 5.149 billion ton kilometers, down 25.2 percent.

The posts and telecommunications industry saw continued development. In 1990, the posts and telecommunications industry did 354 million yuan worth of business, up 19.6 percent from 1989. As of the end of the year, urban telephone subscribers numbered 180,000, up 18.6 percent.

#### 5. Domestic Business and Materials Supply

In 1990, the province actively adopted various policy measures to promote commodities sales and energize markets, which showed preliminary results. Social commodity retail sales for the year totaled 54.197 billion yuan, up 2.5 percent from 1989. Consumer goods sales were better than sales of the means of agricultural production. Consumer goods retail sales totaled 46.962 billion yuan, up 3.0 percent. This included a social group purchasing power of 4.189 billion yuan, up 12.2 percent, the degree of increasing being 10.1 percentage points higher than for sales of consumer goods to residents. Retail sales of the means of agricultural production totaled 7.235 billion yuan, maintaining the 1989 level. City markets did better than rural ones. City market consumer goods retail sales for the year totaled 20.522 billion yuan, up 6.2 percent from 1989. Consumer goods retail sales at the county level and above totaled 26.44 billion yuan, up 0.6 percent.

New changes occurred in the structure of all economic type businesses. Retail sales volume of businesses under ownership of the whole people totaled 17.2 billion yuan, down 0.5 percent from 1989. As a percentage of social commodity retail sales, this was a decline from the 32.7 percent of 1989 to 31.8 percent in 1990. Sales volume of supply and marketing cooperatives and other collectives was 9.496 billion yuan and 9.426 billion yuan, both maintaining the 1989 level. The supply and marketing cooperative percentage fell from 17.9 percent in 1989 to 17.5 percent. The percentage of other collectives fell from 17.9 to 17.4 percent. Individual economy retail sales totaled 12.532 billion yuan, up 7.6 percent, the percentage of the total rising from 22 to 23.1 percent. Jointly operated economy retail sales totaled 118 million yuan, up 40.5 percent. Peasant retail sales to nonagricultural residents totaled 5.425 billion yuan, up 9.9 percent, the percentage of the total rising from 9.3 to 10 percent.

Retail sales of food, clothing, and items used in daily life increased: food sales, 4.5 percent; clothing, 1.1 percent; and articles used in daily life by 0.3 percent over 1989.

Country fair markets were flourishing and lively. City and countryside country fair trade volume totaled 15.79 billion yuan, up 5.8 percent from 1989, the degree of increase exceeding consumer goods retail sales by 2.8 percentage points.

Market prices were largely stable, the degree of inflation subsiding substantially. The overall retail price level for the year was 3.1 percent higher than in 1989, but the percentage of price inflation declined 15.2 percentage points from 1989, making 1990 the lowest year for price inflation since 1985. Retail prices of consumer goods

rose 2.8 percent, and retail prices of the means of agricultural production rose 4.7 percent; retail prices in state-owned businesses rose 3.8 percent, and country fair consumer goods prices declined 6.3 percent. Such a decline was unprecedented in recent years. City and town retail prices rose 0.4 percent, and rural retail prices rose 4.2 percent. Among consumer goods, food rose 1.2 percent, clothing 7.4 percent, and articles used in daily life 4.7 percent. Prices of cultural and recreational merchandise fell 3.4 percent; prices of books, newspapers, and magazines rose 13.6 percent; pharmaceutical and medical treatment material prices rose 0.8 percent; construction and decoration material prices fell 3.0 percent; and fuel prices rose 11.0 percent.

The overall cost of living in cities and the countryside rose 3.8 percent. This included a 1.5 percent increase in the cost of living in cities and towns, and a 5.0 percent increase in the peasants' cost of living.

The total value of various means of production retailed through the materials system during the year was 9.09 billion yuan, up 1.8 percent from 1989. Processed steel sales were 5 percent higher than in 1989 at 2.06 million tons, and cement sales totaled 1.352 million tons maintaining the 1989 level. Lumber sales totaled 214,000 cubic meters, up 3.4 percent. Raw coal sales totaled 480,000 tons, down 20 percent.

#### 6. Foreign Trade and Tourism

During 1990, the province took full advantage of the favorable opportunity that a readjustment of foreign exchange rates presented to provide active support to the production of key export commodities, and it readjusted the structure of exports to promote the development of exports. The province's foreign trade imports and exports combined totaled \$1.35 billion, a 6.1 percent increase over 1989. This was the first time that exports broke the \$1 billion mark, reaching \$1.113 billion, 17.4 percent more than in 1989. Foreign trade imports declined sharply as a result of the effect of the downward adjustment of foreign exchange rates, and the curtailment of projects. Imports totaled \$247 million, down 25.9 percent.

Foreign capital used in the province totaled \$332 million, down 1.5 percent from 1989. A total of 134 "three kinds of partially or wholly foreign-owned enterprise" investment contracts were signed, two and one-half times again the number signed in 1989. Newly signed foreign contract project and labor contracts totaled \$229 million, up 38.1 percent from 1989. Business completed totaled \$160 million, up 48.1 percent.

Cooperation with other provinces developed further. During the year, a total of 693 cooperative economic and technical projects were entered into with other provinces, municipalities, and autonomous regions. These projects earned \$220 million in money and involved the export and import of materials valued at 2.598 billion yuan for the province, including 1.275 billion worth of materials shipped out of the province.

International tourism rose tremendously. A total of 193,900 travelers were received during the year, and foreign exchange earnings from tourism amounted to 172 million yuan (in foreign exchange), both figures being an all time high for a 91.5 and 73.2 percent increase respectively.

#### 7. Banking and Finance, Insurance Industry

While persevering in the control of aggregates, the province's finance and banking system appropriately fine-tuned cutbacks, actively readjusting interest rates and the credit structure, and doing a good job with city and countryside savings deposits. It made a great effort to energize markets to propel an upturn in industrial production. By the end of the year, the surplus in bank savings accounts of all kinds was 12.921 billion yuan greater than at the beginning of the year, and 5.302 billion yuan more than at the beginning of 1989. Outstanding loans of all kinds amounted to 15.112 billion yuan more than at the beginning of the year, and 5.586 billion yuan more than at the beginning of 1989. Working capital loans and fixed assets investment loans both increased, playing a major role in energizing the economy throughout the province. The amount of money put into circulation increased manifold. After offsetting cash receipts against expenditures, banks put 3.5 times again as much currency in circulation as in 1989.

The insurance industry developed. In 1990, 21,211,000 people held life insurance, and 13,707,600 households held home property insurance.

#### 8. Science and Technology

During 1990, the province further deepened reform of the science and technology system, stabilized and perfected science and technology policies, and actively organized scientific and technical forces for economic construction, making marked achievements in scientific and technical research, and in its application. It received a total of 891 scientific and awards during the year, 14.1 percent more than in 1989. This included 328 provincial awards for scientific and technical progress, 45 national awards for scientific and technical progress, and 17 national awards for inventions. In order to advance the development of new high technology in the fields of biotechnology, electromechanical integration, new materials, and microelectronics information technology, the province established a new high technology development zone at Chongqing and Chengdu. During the year, it carried out 39 "torch plans," and worked on 366 problems in 244 key science and technology projects. Applied basic research became increasingly lively, 129 special topics approved during the year. During the year, 165 "spark plan" special topics were begun. Soft science and social science research was further enhanced, a total of 159 topics in 70 soft science problems being approved in the province. A total of 150 outstanding achievements in philosophy and the social sciences received provincial government awards.

Very great advances were made in the use of science and technology to build agriculture. In 1990, 88 counties (or cities), and 2,062 townships established deputy magistrates (or mayors), and deputy township (or town) burgesses for science and technology. County centers for the promotion of agricultural technology now number 131, and there are 6,300 township agricultural technology stations; 79.2 percent of townships (or towns) have founded science popularization societies; there are 180,000 science and technology demonstration households; and there are 36,000 rural farm technology personnel who are concurrently engaging in production.

The mass science and technology movement has spread to many fields and has become completely transformed. During 1990, the province ran 16,000 academic exchange activities in which 1,396,200 people took part. Academic exchange treatises numbered 44,400. It provided 37,200 lectures, and 22,000 exhibitions for the popularization of science. During the year, 14,000 technical agreements of various kinds worth 610 million yuan were concluded.

Patent work saw further development. During the year, 2,091 patent applications were received and 1,045 patents issued. This marked a substantial increase over 1989.

The science and technology corps became ever stronger. In 1990, local technical personnel in various fields numbered 1,432,800. County level and above government units had 304 independent research and development agencies under their jurisdiction. Large- and medium-sized enterprises had 554 research and development agencies working on 3,633 projects. Personnel engaged in research and development numbered 120,000.

## 9. Education and Culture

In 1990 schools of all kinds gave precedence to moral education, and generally strengthened ideological and political work. Ordinary institutions of higher education improved teaching conditions through a combination of a constant number of enrollments and structural readjustments for a gradual improvement in teaching quality. During the year, 1,778 graduate students were enrolled, and a total of 5,545 graduate students were in school. A total of 41,600 students were enrolled as undergraduates or in professional training program. Total college enrollment was 141,000, and 41,300 students were graduated.

New advances were made in readjusting the structure of secondary school education. Students enrolled in various kinds of vocational and technical schools in the province numbered 459,500. This was 86.2 percent of the 532,800 students in ordinary senior middle schools.

Basic education was further improved. Students in junior middle school throughout the province numbered 3,409,600, and primary school pupils numbered 9,266,500. The school attendance rate for school age children increased from 95.9 percent in 1989 to 96.4

percent in 1990. The drop-out rate for primary school students declined from 2.7 percent in 1989 to 2.1 percent in 1990. Another 10 counties (or cities) in the province made primary school education universal; thus the counties (or cities) in which primary school education is universal now number 168. Nongovernment-operated schools continued to develop, privately established middle and primary schools in the province numbering 393 with 38,300 students enrolled. Kindergarten pupils number 1,479,400. Education for retarded and physically handicapped children also improved.

Adult education began to change from formal schooling to on-the-job training. In 1990, 27,000 adults were enrolled in undergraduate and professional courses in institutions of higher education. Students in school numbered 77,100, and graduates numbered 24,000. Adults in secondary technical schools numbered 92,900, with 27,500 graduated. During the year, 351,700 self-study personnel were tested, 7,200 of them reaching the college level. A total of 1,991,400 adults were taking technical training. Peasant primary education developed. Seventy percent of the province's townships (or towns) set up general education and technical schools, making 786,000 people literate; 164 counties met State Council-issued standards for the eradication of illiteracy.

Cultural endeavors continued to develop. During 1990, 10 feature movies were made; 173 new films (full length films) were issued; and 75 radio broadcast dramas and 55 television dramas were recorded. A large number of outstanding television films such as "The Great Wall Runs South," received commendations from central government departments concerned. The province had a total of 12,660 movie projection units, 155 performing troupes, 148 public libraries, 209 cultural palaces, 43 museums, and 231 archives. There were 16 radio broadcasting stations, and 23 radio broadcast transmission and relay stations airing 22 programs. Television stations numbered 20, and there were 2,802 television transmission stations and relay stations, 23 of them with a power of 1 kilowatt or more, presenting 22 programs. The television stations reached 71 percent of the province's population. A total of 1.233 billion copies of local newspapers were published, and 50.03 million magazines of all kinds were published, as well as 3,597 different books totaling 378,050,000 copies.

## 10. Health and Physical Education

New advances were made in health care. As of the end of 1990, the province had 215,500 hospital beds, up 2.0 percent from 1989, and 310,700 professional medical technicians, up 1.9 percent. This included: 157,100 doctors, up 3.2 percent, and 63,800 medical practitioners and nurses, up 6.3 percent. Villages lacking medical care facilities decreased from 19.6 percent in 1989 to 18.7 percent in 1990.

Outstanding achievements were made in physical education. During 1990, the province's athletes took 4 world championships, two athletes breaking three world

records three times, and two athletes breaking two Asian records two times. During the 11th Asian Games, which attracted worldwide attention, the province's athletes made a fine showing winning 22 gold medals, eight silver medals, and two bronze medals. Mass sports activities saw widespread development, a total of 6,274 athlete meets at the county level or above being held during the year. This was a 12.1 percent increase over 1989. Participants in these meets numbered 1,461,600, up 14.0 percent. A total of 5.11 million people reach "national physical education toughening standards," up 3 percent from 1989.

### 11. People's Livelihood

City and town residents' income increased, and their standard of living improved. According to a sample survey of 2,000 city and town households in 20 cities or counties, city and town per capita living expenditure income in 1990 was 1,354.45 yuan, 128.21 yuan more than in 1989 in a 10.5 percent rise. After deducting for price rises, the actual increase was 8.8 percent. Per capita living expense payments were 1,281.29 yuan, up 97.74 yuan in an 8.3 percent increase. This included a 4.7 percent increase in expenditures for food, a 16.5 percent increase in expenditures for clothing, an 11.9 percent increase in expenditures for items used in daily life, and a 6.4 percent increase in expenditures for fuel. The real income of rural residents declined, and expenditures declined. According to a sample survey of 5,500 rural households in 55 counties, peasant per capita net income was 557.76 yuan. This was a 2.2 percent increase over 1989 after taking into account the price of agricultural products that the peasants consumed themselves. After deducting for price rise factors, there was an actual 1.3 percent decline. Per capita expenditures for living expenses amounted to 509.16 yuan. This was a 1.3 percent decline from 1989 after taking into account the price of farm products that peasants consumed. After deducting for price rise factors, it was a 4.4 percent decline.

Labor system reform gradually deepened. During 1990, cities and towns throughout the province placed 229,500 people awaiting employment, 25.3 percent more than in 1989. As of the end of the year, staff members and workers in the province numbered 9,348,900 in a 133,800 increase over 1985. The total wage bill for staff members and workers for the year was 18.510 billion yuan, up 2.196 billion yuan from 1989 in a 13.5 percent increase. As of the end of the year, units under ownership of the whole people had 629,700 staff members and workers in the contract system, 98,500 more than in 1985. An upturn occurred in the number of individual workers in cities and towns, reaching 445,300, 17,500 more than in 1989.

City and countryside residents' savings accounts increased enormously. As of the end of the year, the surplus balance in city and countryside residents' savings accounts stood at 36.244 billion yuan, up 9.704 billion yuan from the end of 1989 in a 36.6 percent increase.

City and countryside living conditions improved. A total of 10.81 million square meters of new housing was built in cities and towns during the year, 4.6 percent more than in 1989. In rural villages, 34.02 million square meters of new housing was built, less than in 1989.

Social welfare services continued to expand. During 1990, cities throughout the province built 8,733 community service network points in a 21.6 percent increase over 1989. The countryside built 1,016 social support network townships (or towns), up 21.8 percent. There were 4,331 social support funds of various kinds, up 60.9 percent, with a capitalization of 387 million yuan. Relief was provided 3,093,600 times. Orphaned, old, handicapped, and underage people entitled to the five guarantees [food, clothing, medical care, housing, and burial expenses] numbered 251,100. City social welfare hospitals had 58,300 beds and were taking care of 42,400 people.

### 12. Nationality Areas Economy and Culture

Society was stable in the province's autonomous nationality areas during 1990 where new advances were made in economic and cultural endeavors. In Garze Zang, Aba, Liangshan Yi, and Qianjiang prefectures, and in Mabian and Ebian autonomous counties, the gross output value of agriculture was 7.982 billion yuan, up 6.1 percent from 1989.

Livestock industry production continued to grow. Gross output value of agriculture for the year was 4.314 billion yuan, up 4.7 percent from 1989. Gross grain output was 28.187 billion tons, up 3.1 percent. Cash crop output continued to increase. Sugarcane output was 437,300 tons, up 4.5 percent; oil-bearing crop output was 52,900 tons, up 17.6 percent; tea output was 2,902 tons, up 1.0 percent; and flue-cured tobacco and fruit output maintained the previous year levels. Livestock raising and livestock products maintained growth momentum. The number of draft animals in inventory at year's end was 6.299 million, up 3.6 percent. Hogs in inventory at year's end numbered 5,209,900, up 2.9 percent. Pork, beef, and mutton output stood at 243,200 tons, up 2.1 percent. Wool output was 2,714 tons, up 3.7 percent. Sheep in inventory at the end of the year numbered 6,898,800 for a 2.1 percent increase.

Industrial production continued to grow. Gross industrial output for the year was 3.668 billion yuan, up 7.4 percent from 1989. This included a light industry output value of 1.285 billion yuan, up 19.5 percent, and a collective industry output value of 642 million yuan, up 13.0 percent.

The total wage bill for staff members and workers during the year was 1.076 billion yuan, up 9.7 percent from 1989. This included 899 million yuan in wages for staff members and workers in units under ownership of the whole people for a 10.0 percent increase. Social commodity retail sales totaled 3.051 billion yuan, up 6.9 percent. The year-end savings account balance for city

and countryside residents was 1.704 billion yuan, up 31.0 percent. This included a 23.7 percent increase in rural savings.

As of the end of the year, autonomous nationality areas had 23,700 medical technicians, up 2.6 percent from 1989. Hospital beds numbered 16,800, maintaining the 1989 level. The student population in all kinds of schools was 1,000,300 in a slight increase over 1989.

### 13. Demographics

A sampling survey of population shifts in 50 counties showed a 1990 birthrate of 19.11 per 1,000; a death rate of 7.66 per 1,000; and a natural rate of increase of 11.45 per 1,000.

### Economic Development During the Seventh Five-Year Plan

The year 1990 was the last year of the Seventh Five-Year Plan. During the past five years, the province diligently carried out the central government's policy of opening to the outside world and of improving the economic environment and rectifying the economic order. As a result of taking economic construction as the nucleus, and using reform to spur development, economic strength increased greatly, the goal of doubling GNP realized ahead of schedule.

The Seventh Five-Year Plan was a period of relatively fast economic growth in the province. During those five years, GNP grew by an average annual 6.3 percent, national income increased 5.6 percent annually, and the gross output value of industry and agriculture increased by an average 9.0 percent annually.

The Seventh Five-Year Plan period saw remarkable achievements in the province's industrial and agricultural production. During 1990, the gross output value of agriculture was 22.6 percent higher than in 1985 for an average annual 4.2 percent increase that exceeded the plan goal set for the Seventh Five-Year Plan. Gross output of grain set an all-time high in 1990 reaching 42.66 million tons in an average annual 2.2 percent. Gross industrial output value was 70.3 percent higher in 1990 than in 1985 in an average annual 11.2 percent increase for the fulfillment two years ahead of schedule of the Seventh Five-Year Plan.

A comparison of outputs of main agricultural outputs during the Seventh Five-Year Plan and the Sixth Five-Year Plan is provided below:

Comparison of Seventh and Sixth Five-Year Plan Agricultural Outputs		
Item	Seventh 5-Year Plan Gross Output	Seventh 5-Year Plan % Increase Over Sixth 5-Year Plan
Grain	200.729 million tons	4.4
Cotton	488,000 tons	-10.9
Oil-bearing Crops	76.39 million tons	24.2

Pork, Beef, and Mutton Output	14.13 million tons	24.8
Raw Coal	324.21 million tons	40.9
Natural Gas	31.001 billion cubic meters	12.2
Electric Power	146.503 billion kwh	54.9
Steel	22.698 million tons	28.1
Processed Steel	17,254,900 tons	35.7
Pig Iron	19,742,200 tons	33.7
Cement	64,840,700 tons	72.3
Plate Glass	6.565 million cases	428.4
Sulfuric Acid	4,740,400 tons	46.5
Soda Ash	1,178,900 tons	85.0
Caustic Soda	1,019,800 tons	47.8
Chemical Fertilizer	7,990,800 tons	18.3
Chemical Pesticides	28,733 tons	-22.3
Motor Vehicles	108.9 million	304.8
Television Sets	6,484,300	196.8
Cotton Cloth	4.196 billion meters	17.8
Sugar	817,900 tons	-0.10

During the Seventh Five-Year Plan, the province's units under ownership of the whole people invested a cumulative 68.618 billion yuan in fixed assets, 2.4 times again as much as during the Sixth Five-Year Plan period. This included as 36.457 billion investment, or 2.3 times again the Sixth Five-Year Plan amount, in capital construction under ownership of the whole people; an a 25,575 billion yuan investment, or 2.6 times again the Sixth Five-Year Plan amount, in renovation and technical transformation of enterprises under ownership of the whole people. Major production capacity added throughout the province during the Seventh Five-Year Plan as a result of new investment in capital construction under ownership of the whole people was as follows: 6.03 million tons per year of coal mining capacity, 2,197,800 kilowatts of installed electric power capacity, 106,000 tons per year of chemical fertilizer, and 19,100 tons per year of chemical fibers. This was 2.4, 4.8, 3.0, and 1.3 times again the capacity added during the Sixth Five-Year Plan.

During the Seventh Five-Year Plan, the province's city and countryside markets thrived. There was an ample supply of merchandise, and the people's standard of living improved. In 1990, social commodity retail sales in the province were 97.6 percent greater than in 1985. After deducting for price increase factors, the increase was 20.8 percent for an average annual 3.9 percent increase. Peasant per capita net income increased 60.3 percent. After deducting for price increases, the actual increase was 22.6 percent. City and town resident's per capita income for living expenses increased 1.1 fold. After deducting for price factors, the actual increase was 24.1 percent.

New growth occurred during the Seventh Five-Year Plan in various social endeavors in the province, including science, culture and education, medical care, physical education, newspaper publishing, and radio and television broadcasting.

#### Notes

1. GNP denotes the sum of the increase in value by the materials production sector and the nonmaterials production sector. It does not include intermediate products consumed and the value of labor

2. Rural social gross output value includes the total gross output value of agriculture, as well as the gross output value of rural collective and individual industries, the construction industry, the transportation industry, and businesses.

3. Transformation volume denotes the freight and passenger turnover volume that transportation units discharged.

#### Increase in Taiwan-Funded Enterprises Noted

OW1603192791 Beijing XINHUA in English  
1448 GMT 16 Mar 91

[Text] Chengdu, March 16 (XINHUA)—Southwest China's Sichuan Province approved 35 joint ventures with Taiwan interests last year, according to a senior official in charge of the province's Taiwan affairs.

Now, the number of Taiwan-funded enterprises in the province has reached 44, involving a total investment of 31.44 million U.S. dollars, of which 23.9 million has come from Taiwan investors.

The official attributed this to the province's large population, low labor costs and abundance of natural resources.

### FINANCE, BANKING

#### Guizhou Enterprise Operating Funds Problems

9ICE0407A Guiyang GUIZHOU RIBAO in Chinese  
11 Feb 91 p 4

[Article by Hu Deyu (7579 1795 5940): "Points To Consider on the Current Problem of Enterprise Operating Funds"]

#### [Text] Insufficient Bank Loans as the Cause

The shortage of operating funds experienced by enterprises in the past few years has coincided with the tight credit and money policy implemented by the banks, which has given people the impression that the shortage of enterprise operating funds is caused by the reduction in bank loans. But that is not true. Though money supply has been tightened in the past few years, as far as Guizhou Province is concerned, credit funds have still grown considerably, as shown in the following: (1) From

1985 to 1989, bank loans in the province increased by more than 9.2 billion yuan, including an increase by 6.6 billion yuan in loans for operating funds, and the increases in the five years were 1.8 times the increases in the 35 years from 1950 to 1984. (2) During the same period, bank deposits in the province increased by nearly 5.8 billion yuan, about 3.5 billion yuan less than the increase in loans, and the difference was made up by issuing more paper money. (3) In the five years, bank loans in the province increased at an average annual rate of 23 percent, but the province's gross national product and total value of industrial and agricultural production increased only at an average annual rate of 7 percent and 8 percent respectively, and even if price rises are taken into account, loans still increased faster than economic growth. (4) More bank loans were extended for expansion of production and circulation. In the five-year period, industrial and commercial loans increased by 3.3 billion yuan and 2.7 billion yuan respectively. For the increase of each 100 yuan in industrial output value and volume of retail sales in the province, the banks' industrial and commercial loans increased only 23 yuan and 29 yuan respectively in 1984, but jumped sharply to 77 yuan and 89 yuan respectively in 1989. Of course, the situation is not absolutely even among all enterprises, and it is possible that some enterprises received not more but less loans. On the whole, however, the shortage in enterprise operating funds is not caused by insufficient bank loans.

#### Causes of Shortage in Enterprise Operating Funds

There are roughly three kinds of problems:

The first is problems of the enterprises themselves in the use of operating funds. (1) With the expansion of production and circulation and the price increases, the enterprises need more operating funds, which is normal. (2) More goods are unsold and kept in stock. At the end of 1989, the province had more than 2.1 billion yuan worth of industrial products in stock, and the ratio between sales and output in the same year was 56 percent for motor vehicles, 65 percent for television sets, and 85 percent for washing machines, to name a few. As shown by statistics compiled by the People's Bank of China on 100 industrial enterprises, which account for nearly 40 percent of the province's total industrial output value, the ratios between reserve funds, production funds, and funds tied up in finished products were 64:22:14 in 1984, and 57:21:22 in 1989, the amount of funds tied up in finished products up by 8 percentage points. While more goods were piled up in storage, the quantities of goods shipped out by the enterprises also increased sharply. The above-mentioned 100 industrial enterprises had only 100 million yuan tied up in merchandise shipped in 1984, but the amount increased to 800 million yuan in 1989. The overstock of goods has continued to increase. And as of the end of August 1990, the amount of money tied up in finished products and goods shipped out by 717 state-owned industrial and transport enterprises in the province increased by 270 million yuan and 300 million yuan respectively from what they were at the



beginning of the year. (3) Default in payment for goods has become a serious problem. According to statistics of the entire province at the end of March last year, defaults between enterprises in making payments for goods purchased totalled more than 3 billion yuan. Although the banks have in the past few months actively helped the enterprises to clear up their debts and achieved some results, often new debts are owed while old ones are being cleared. (4) Funds are diverted, misused, and even lost. The above-mentioned 100 industrial enterprises in 1989 diverted 110 million yuan from funds earmarked as subsidies for losses and 250 million yuan from other operating funds, and some operating funds were used to fill gaps in investment in fixed assets. All this has contributed to the increasing needs for operating funds by the enterprises and the slowing down of the turnover of funds. The amount of operating funds, required per 100 yuan of industrial output value by the state-owned and collectively owned industrial enterprises with independent accounting in the province, was 40 yuan and 22 yuan respectively in 1984, and increased to 49 yuan and 29 yuan respectively in 1989. The turnover time of operating funds for locally administered state enterprises included in the state budget was only 120 days in 1984, and increased to 200 days in 1989. With increased needs and slowed turnover, a shortage in enterprise operating funds is inevitable.

The second is problems of banks in the distribution of loans. (1) The banks must give consideration to all loan requirements. Production links or circulation, basic industries or processing industries, fixed assets or operating funds, are all important and should be supported. The inevitable result is the even distribution of bank loans. More often than not, the duplication of a production and circulation process, even a simple one, requires the bank to provide two or more sets of funds. There is only a limited amount of money available, and when everyone gets a share, no one can have enough. (2) The ratio between loans for fixed assets and loans for operating funds has changed. The ratio was 7:93 in 1983 and 20:80 in 1989. In 1984, there was a balance of 570 million yuan in fixed asset loan funds, and the balance grew to 2.6 billion yuan in 1989. The banks are required to provide more and more loans for fixed assets, which inevitably weaken their ability to provide loans for operating funds.

The third is deep-rooted problems in the economic operations. (1) There is a lack of balance in the primary distribution of national income among the state, the collectives, and the individuals. State revenues and individual money incomes are increasing, but the enterprises are earning less. The ratio between accumulation and consumption in the amount of national income spent in the province was 28:72 during the period 1966 to 1982, and 24:76 during 1983 to 1989, with consumption rising and accumulation falling. The amount of profits retained by enterprises has dropped, and therefore their ability to replenish their own operating funds has decreased. Take the previously mentioned 100 industrial enterprises for

example. From 1985 to 1989, these enterprises used 9.6 percent of their retained profits to supplement their own operating funds, basically meeting the 10 percent requirement, but in absolute value it amounted to only 66 million yuan, as compared with the 1.532 billion yuan increase in bank loans received by these enterprises during the same period, a ratio of 4:96. (2) In the past few years, much of the accumulation and investment funds was used on fixed assets, and too little was used as operating funds. The ratio between fixed assets and operating funds in the use of accumulation funds in the province was 75:25 during the period from 1950 to 1982, and 84:16 from 1983 to 1989. In other words, for every 100 yuan of accumulation funds used on fixed assets, 34 yuan was used for operating funds in the province before 1982, which was fairly normal, but the amount for operating funds dropped to 13 yuan after 1983, which was obviously too little. Moreover, the ratio between expenditures on capital construction and technological transformation and renovation and outlays for operating funds by the province was 6:1 during the period from 1966 to 1978, 13:1 from 1979 to 1982, and 63:1 from 1983 to 1989. In other words, the amount of enterprise operating funds appropriated per 100 yuan spent on capital construction and technological transformation and renovation by the province was 16 yuan before 1978, 8 yuan from 1979 to 1982, and only 1.6 yuan after 1983. Enterprise operating funds have since been placed under the unified management of the banks, but it is uncertain where basic operating funds needed by new construction and extension projects, when completed and put into operation, will come from. In the past few years, an increasing number of enterprises have invested in fixed assets, which have been completed and put into production, but no one has solved the problem of needed basic operating funds. In fact, the stipulation that any plan for investment in fixed assets must include the availability of a basic operating fund amounting to 30 percent of the total investment has not been properly enforced. From 1985 to 1989, the state-owned enterprises in the province invested a total of 12.7 billion yuan in fixed assets. Computing on the basis of a 60 percent rate of productive investments, a 50 percent rate of completion and delivery for use, and 30 percent as basic operating funds, the projects completed and put into operation in the province in the five years needed 1.15 billion yuan as basic operating funds, which have yet to be borrowed from the banks. (4) [number as printed] The income of enterprises realized from increased prices of goods in stock as a result of state price readjustment has not been used to supplement their own operating funds, as they should be, but has been divided up or turned over to the state. At the same time, because of the imperfection of the enterprise contract responsibility system, the contractors have to varying degrees acted in a shortsighted manner. (5) The industrial structure and product mix are not entirely rational. At present, enterprises and products are still characterized by being large and all inclusive or small but all inclusive, serialized products, and coordinated operations, paying no attention to the availability of raw materials, product

quality, and competitiveness, but trying to engage in all kinds of trade and operations and produce all kinds of goods, making no distinction between the important and the ordinary. As a result, energy, raw and semifinished materials, and funds, which are extremely limited to begin with, can only be scattered and wasted.

#### **Basic Ways To Solve the Enterprise Operating Funds Problems**

Operating funds have become one of the major factors troubling the enterprises and hampering economic development in this province. Because the problem is attributable to many causes, it cannot be solved by one department alone, as no department is capable of doing that. As far as the banks are concerned, their sources of funds are very limited, and the scale of loans is subject to strict control. Thus, it is impossible for them to do it all by themselves, even if they want to. Only by getting all departments concerned to work together, try all possible means, make overall arrangements, and act in concert, will it be possible to find a better solution to this problem.

On the part of the enterprises, it is necessary for them first to conscientiously implement the state's industrial policy, reajust the product mix, and turn out goods which are readily marketable; second, to try in every possible way to expand the sales channels, inventory warehouses and make better use of stored goods, and sell the overstocked goods, materials, and idle equipment at reduced prices, absorbing as much of the losses from price cuts as possible while receiving some state subsidies as appropriate; third, to actively demand or make payment for goods sold or purchased to reduce defaults and avoid the forming of new "debt chains"; and fourth, to firmly demand workers and staff members to repay the money loaned to them, make sure that unfulfilled appropriations and replenishment of various funds are fulfilled, and reduce irrational use of funds. At the same time, it is necessary to firmly implement the system for enterprises to replenish their own operating funds. Qualified enterprises can be authorized to raise funds by issuing shares and bonds.

On the part of the banks, on the one hand they should expand the sources of credit funds, actively promote savings deposits, and extensively develop interbank accommodations, taking full advantage of the time, area, and interbank differences in the cost of money. On the other hand, in using credit funds, they first should firmly readjust the old loan structure, actively recover loans when due, and maintain the revolving and circulating nature of loan funds; second, they should set new priorities to make the best possible use of newly added credit funds, and should follow the national industrial policy and the principle of making a distinction between the good and the bad, extending more credit to the former and less to the latter, insuring funds for key projects while taking into consideration the needs of ordinary

ones. Large loans to enterprises can be made as syndicated loans or loans by associated institutions. Unsecured loans should be reduced as much as possible, and discount and rediscount operations should be promoted. Settlement control should be strengthened, and remittance channels should be kept unimpeded. Enterprises should be helped to strengthen their internal management of funds, and qualified enterprises can set up internal settlement centers.

As far as government departments are concerned, it is necessary, first, to select in the light of actual conditions industries and products which show promise toward self-development and help the enterprises improve their ability to produce intensively and finely processed goods, so that the enterprises and products can win a place in the market; second, to provide the enterprises with more operating funds, setting aside a suitably greater part of accumulation and investment for this purpose, exchanging high input for even higher output; third, to help the enterprises embark on a road of self-development by reducing their tax burden and allowing them to retain more profit, and, when their contracts are being renewed, improve the provisions for them to replenish their own rotating funds; and fourth, to insist that any plan for investment in fixed assets must include the availability of a basic operating fund amounting to 30 percent of the total investment.

It is suggested that an enterprise operating funds supervision and management leading group be formed jointly by the department in charge of state-owned assets, financial department, planning commission, economic commission, and banks, which will be responsible for the formulation of policies and measures concerning enterprise operating funds and will check up on their implementation in order to find a basic solution to the enterprise operating funds problems.

#### **Banks Urged To Support Large Enterprises**

*91CE0384A Beijing JINRONG SHIBAO in Chinese  
11 Feb 91 p 1*

[Article by Li Qian (2621 0241) and Tong Guoping (4547 0948 1627): "Banks Must Provide a Better Financial Climate in Order To Revitalize Large, Medium-Sized Enterprises"]

[Text] "The financial sector is the sector handling macroeconomic regulation and control, and it is the 'lever' for economic growth and technological improvement. It is responsible for enhancing the regulation and control of currency and credit and improving various financial services so as to provide a sound external climate for revitalizing large and medium-sized enterprises." Zhou Zhengqing, vice president of the People's Bank of China, spoke to the National Work Conference on Enterprises this afternoon, and said this is how the financial sector should support the revitalization of large and medium-sized enterprises in 1991.

Loans grew at a historic rate last year, as banks helped enterprises overcome difficulties. For every 1-yuan increase in industrial output, banks extended 0.51 yuan in loans or industrial working capital. This was an increase of 0.21 yuan over the average amount in recent years. At the same time, banks also released large amounts of funds to clear up enterprise debts. Last year, the People's Bank alone supplied 30 billion yuan. Banks also lowered interest rates on loans twice, for a total reduction of 2 percentage points. Last year 7,028 large and medium-sized enterprises surveyed by the Industrial and Commercial Bank of China reduced their interest burden by 1.67 billion yuan. Yet enterprises still face funding shortages. Therefore, Zhou Zhengqing believes that banks' credit policies seem to be merely an external factor. For revitalization, enterprises must strengthen their internal operations and management and improve the quality, variety, and efficiency of their products. Banks should create a more favorable external environment for enterprises.

Zhou Zhengqing told participants in the National Work Conference on Enterprises that the financial sector will take four major steps this year to help revitalize large and medium-sized enterprises.

**First, they will coordinate activities for the "year of quality, product variety, and efficiency." They will shift the focus to revitalizing existing savings and exploring latent funding sources.** This year the real turnover rate of working capital in the industrial and commercial sectors and in foreign trade enterprises should be 4 percent higher than last year. Funds tied up in industrial processed goods, accounts receivable for delivered merchandise, and advanced payments should be reduced by 15 percent from 1990's ending balance. To achieve this, preferential policies will be applied to funds which large and medium-sized enterprises use to actively handle overstocks, reduce tied-up funds, explore potential funding, and revitalize themselves. IF enterprises do well in exploring potential funding, they may use some of the new funds as their working capital. In addition, after approval, the scale of loans for technological improvement could be appropriately increased.

**Second, they will continue implementing credit policies that particularly favor "double guarantee" enterprises.** When drawing up annual credit programs, banks will single out and allocate 8 billion yuan to relevant specialized banks, which will lend the funds selectively to "double guarantee" enterprises for working capital. Banks and the State Planning Commission will jointly review and appropriately increase the volume of technological-improvement loans for large and medium-sized enterprises, in order to hasten such improvements and upgrade enterprises' products, adjust the product mix, and improve economic efficiency. At the same time, with regard to technological improvement loans, the policy of linking loans to repayments will continue. Local banks will be encouraged to collect payments before making new loans. As long as the state-planned, technological improvement projects in large and

medium-sized enterprises conform with state industrial policies and enterprises have sources of repayment, banks at all levels will provide preferential treatment in terms of credit lines and funding supplies. Starting this year, 5 billion yuan will be available for small, technological loans. These loans will support projects that require small investments but have a short start-up time, yield fast returns, and have high efficiency.

**Third, they will set up and improve a system for supplementing the working capital of "double guarantee" enterprises and for gradually raising the proportion of funds such enterprises retain.** This primarily involves the following: Enterprises will use 10-15 percent of their retained after-tax profits to supplement their working capital. Also, after review and approval, they will be allowed to retain 1 percent of sales revenues as a specific supplement to their working capital. Enterprises' target of making supplementary working capital and reducing circulating fund an objective of enterprises' contracted operations should be examined and linked with rewards or punishments. Banks should strictly manage loans to enterprises that do not follow the regulations concerning increasing their working capital.

**Fourth, they will continue helping enterprises liquidate their "triangular debt," rectify their settlement procedures, and reinforce their settlement discipline.** They must block the sources of debt and take measures to resolve the problems of overstocked manufactured goods, lack of capitalization of goods, insufficient funds, shortage capital construction investment, and growing losses. If debts on goods under direct planning are not paid according to contract after the goods are delivered, delivery may be suspended and the contract rescinded. Banks and enterprises both must abide by settlement regulations and discipline. Enterprises may not refuse payment without cause, and banks should create a sound external climate in which enterprises can clear their accounts on time. At the same time, they should continue working to liquidate capital construction debts. They should use a combination of economic, administrative, and legal means to comprehensively manage enterprises' "triangular debts" and earnestly solve the problem of debt chains.

#### **Methods To Enhance Economic Efficiency**

91CE0438A Beijing JINRONG SHIBAO in Chinese  
14 Feb 91 p 2

[Article by Hainan Provincial Agricultural Bank President Zhong Wen (6988 2429): "Actively Rotate Funds, Enhance Economic Performance"]

[Text] How do we rotate funds and enhance economic performance? This is an important issue in doing a good job with rural finances. On the basis of Hainan's actual situation, we have controlled increases and have given serious attention to controlling the transfer of reserves. Through December of last year, the balance in all types of rural bank and credit association savings accounts in

Hainan province reached 3.42 billion yuan, an increase of 830 million yuan or 31.8 percent over the previous year. Within that, the balance on all types of rural bank accounts reached 2.42 billion yuan, an increase of 630 million yuan or 35 percent over the previous year, with a net increase three times the previous year. The balance of all types of bank and credit associate loans reached 4.07 billion yuan, an increase of 690 million yuan or 20.6 percent over the previous year. Within that, the balance of rural bank loans was 3.39 billion yuan, an increase of 630 million yuan or 23 percent over the previous year, with a net increase twice the previous year. It played an active part in supporting the development of the Hainan Special Zone rural economy.

Generally speaking, there was a great deal of credit and, for several reasons, these loans were not used altogether reasonably. There was serious leakage, and the quality of credit assets and the return on funds both declined, leaving banking operations faced with a serious risk. Thus, taking firm control of circulation and improving credit reserves obviously were even more important. Last year, the central bank arranged for us to make an all out effort to collect loans in an important measure to gain control of the circulation of funds. The provincial bank and all branches established loan collection leading groups, with the "number one leading man" as group leader and layer after layer of work stations. The bank president was in command and branch presidents were sent into battle. Special departments crowded the front. The task of collecting loans was implemented down to the neighborhood and broken down by individuals. In addition, credit reserves and the concepts and techniques of collecting loans were reported to every level of the party and the government and received vigorous support from every level of the party and the government. With the vigorous support of every level of the party and the government and the cooperation of the Ministry of Justice, they used the "five simultaneous channels" of administration, economy, discipline, education, and law to settle loans. Up to the end of last year, the agricultural bank's aggregate recovery of irregular loans was 940 million yuan, one-fourth of total loans. Within that were 760 yuan in ordinary overdue loans and 860, 000 yuan in bad loans. At the same time, they actively cleared up "triangular debt" and helped enterprises stimulate funds. They dispatched credit agents to over ten provincial cities and down to over 100 units throughout the nation to help enterprises. Altogether they cleared up debts amounting to 85 million yuan.

How are we going to further rotate funds and enhance economic performance this year? We have decided:

1. To organize our forces to review and appraise last year's loan collection. We have now enlisted branches throughout the province to collectively direct a three part comprehensive examination, review their experiences, and appraise, consolidate, and develop last years achievements in collecting loans and strive to accomplish this year's collection goals, namely: Reducing the usage rate of irregular loans by eight percentage points,

including reducing the usage rate of the "two evils" (idle and bad) loans by five percentage points. This year's loan collection focus is on loans idle from before the end of 1989, including collective loans and agricultural household loans from before the production responsibility system; large specialized household and individual industrial and commercial household loans; loans of shutdown enterprises; enterprise skimmed and diverted fund loans; and loans that bank and credit association cadres and employees approved, loaned, and guaranteed for themselves in violation of rules and discipline. We should exert every effort and use every means to recover the loans from that year that can be recovered as quickly as possible.

2. To further the task of tapping potential funds and distribute quotas for tapping potential funds to every level. To fully arouse the enthusiasm of banks and associations at every level to tap potential funds, we should link the task of tapping potential funds with new increases in the scale of credit. Banks and credit associations that are not enthusiastically tapping potential funds and have not full accomplished the task of tapping potential funds, their scale of credit correspondingly reduced. Regarding supply and sales agency loans, a reasonable quota for reserves should be appraised, and those that exceed the quota of reserves should undergo an independent audit to look into speeding up the enterprise's formulation of a reduction plan to dispose of excess reserves in a limited time. Those that are overdue and do not actively dispose of them should receive the necessary credit sanctions.

3. To formulate a gradual recovery plan for different situations and clarify relevant policy limitations on the basis of putting credit assets totally in order. For loans that enterprises have skimmed or diverted for a long time, including loans used for various off the book hidden losses from inaccurately accounted costs and false profits, we must see that the enterprises rectify, refund, and pay back the loans. We must resolutely collect loans in accordance with the law from enterprises and individuals that are capable of repaying, but are delinquent. For loans used for subsidies for policy considerations that the finance department and the department in charge of work should have appropriated and did not appropriate, we should see to it that they appropriate the exact amount as early as possible and correspondingly recover the loan used.

4. To implement a preferential policy to encourage the stimulation of potential funds and the recovery of loans, and to integrate the transfer of reserves and preferential increases. Districts that settle improperly used loans should be given them for their use. Grass-roots banks, credit associations, and credit agents that exhibit success in actively uncovering potential funds and recovering loans should be given the proper encouragement.

5. To improve the scale of credit and fund accommodation and adjustment to avoid waste and accelerate circulation. In accordance with the quarterly ratios decided

by the central bank, we will determine the branch banks' midyear transfer quotas and flexibly accommodate and adjust them and use them to determine the reasonable requirements of the temporary scale.

### Report on Shanghai's Financial Activities

91CE0438B Beijing JINRONG SHIBAO in Chinese  
19 Feb 91 p 1

[Article by Zhang Xudong (1728 2485 2639): "Shanghai Finance Industry Begins Robust Development: Savings Deposit Increases Set a Record and Domestic and Overseas Contacts Are Enhanced: The Money Market Is Unusually Active: Financial Organizations Pour Into Pudong"]

[Text]Gong Haocheng [7895 3185 2052], the president of the Shanghai branch of People's Bank, a few days ago, briefed people from Chinese and foreign financial circles in Shanghai and told them that 1990 was a year of rapid development and a high-water mark in Shanghai finances.

In the course of last year, with guidance from the central People's Bank and the Shanghai government, the Shanghai branch of the People's Bank made effective adjustments in accordance with Shanghai's actual economic development and total savings of the Shanghai financial system increased 12.62 billion yuan, the highest level in the history of the country, and total loans increased 15 billion yuan, strictly controlled within the quotas set by the state plan and vigorously supportive of Shanghai's economic development. Gong Haocheng reflected that the Shanghai People's Bank took the lead in conducting the International Symposium on the Development of the Shanghai Stock Market and the Shanghai International Finances Symposium, and invited financial and business experts from a great many countries and regions to discuss Shanghai's financial development strategy with Chinese scholars and leaders of relevant departments on an unprecedented scale. It was a complete success. Then, Shanghai financial circles also invited 40 large Hong Kong banking delegations to come to Shanghai to further enhance the mutual understanding, cooperation, and interchange between Shanghai and overseas financial circles. In accordance with relevant regulations, last year Shanghai approved two joint venture finance companies; approved the establishment of Shanghai-Pudong branches of the Agricultural Bank, the Construction Bank, the Bank of Industry and Commerce, and the Communications Bank; and approved the establishment of the first stock exchange on the mainland since the founding of New China.

At the same time, Shanghai's financial market also developed rather rapidly. Shanghai has tentatively formed a financial system consisting mainly in an interbank short-term lending market, a bill discounting market, a stock market, and a foreign exchange regulating market.

Last year Shanghai exchanged a total of 66.87 billion yuan on the Interbank Short-term Lending Market and in the entire Seventh Five-Year Plan the accumulation reached 256.4 billion yuan, first in the nation. On the bill discounting market last year Shanghai discounted a total of 23 billion yuan, a 130 percent increase over the previous year, and rediscounted 7.93 billion yuan, an increase of 140 percent over the previous year. Last year the Shanghai Stock Market approved and issued 20 million yuan in stocks and 490 million yuan in bonds and issued 900 million yuan in short-term financial bonds. Last year stock exchanges amounted to 2.43 billion yuan. The Shanghai Stock Exchange that had opened for business operated well. Last year the Shanghai Foreign Exchange Regulating Market practiced the self-quoted price double transaction exchange method and further improved market mechanisms. For the entire year they regulated a total of US \$1.85 billion in foreign exchange.

Gong Haocheng told people from Chinese and foreign financial circles that in the first quarter of this year he will strive to get approval for the establishment of some foreign investment bank branches and arrange as quickly as possible to reregister the four overseas Chinese and foreign investment banks from before.

## INDUSTRY

### New Achievements During Seventh Five-Year Plan

91CE0414B Urumqi XINJIANG RIBAO in Chinese  
5 Feb 91 p 1

[Article by Xinjiang Autonomous Region's Census Bureau: "The Region's Textile Industry Shows Considerable Growth"]

[Text] During the Seventh Five-Year Plan, the region's textile industry overcame the difficulties of insufficient transportation capacity, lack of funds, increases in raw materials prices, and a sluggish textile market, and substantially increased production.

During that period, the number of spindles in the cotton textile industry increased from 315,000 to 810,000, an increase of 160 percent; the spindles in wool textile industry increased from 46,000 to 92,000, a 100-percent increase. Compared to the Sixth Five-Year Plan, cotton yarn is expected to reach 341,400 tons, an increase of 82.7 percent; cotton cloth will reach 1.346 billion meters, an increase of 34.1 percent, and wool fabric will reach 49.03 million meters, a 130-percent increase. In a mere three years, from 1986 to 1989, the outputs of wool yarn and woollen blankets reached 10,700 tons and 1.501 million pieces, an increase of 362 tons and 859,900 pieces respectively over the Sixth Five-Year Plan. The output of all textile products surpassed the goal set by the Seventh Five-Year Plan.

During the Seventh Five-Year Plan, the region's textile industry achieved notable economic efficiency. Its capacity to produce foreign-exchange earning exports expanded. Within the first four years of the period, it generated industrial output valued at 10.018 billion yuan, more than during the entire Sixth Five-Year Plan, when a record 4.439 billion yuan was generated. Textile industry enterprises adjusted their product structures and designed and produced new products, upgrading quality each year. In 1989 alone they won 69 regional-level awards for quality products, and 14 national-level textile industry awards. This is a record number of awards for quality products won in one year. Comparing the Seventh Five-Year Plan to the Sixth Five-Year Plan, exports of textile products are listed as follows: cotton yarn increased 110 percent, cotton cloth by 2,160 percent, and woollen sweaters by 8,780 percent.

### Electronics Fujian's Biggest Earner in 1990

91CE0418A Beijing ZHONGGUO JIDIAN BAO  
in Chinese 5 Feb 91 p 3

[Article by Cheng Feiying (2052 7378 7751): "Fujian's Electronics Exports Are the Highest in the Entire Industry"]

[Text] In the last year, Fujian's electronics industry closely followed the "four principal" line: "opening up principal international markets, developing principal exports, setting up principal marketing channels, and building a principal production force." This transformed the pressure stemming from a sluggish domestic market into a stimulus for further "movements" into foreign markets; it actively expanded exports, thereby effectively assuring the continued, stable growth of overall industrial production. Last year the gross output value of the province's electronics industry reached 4 billion yuan, an increase of 10.3 percent over 1989. Of this, exports were valued at 2.22 billion yuan, accounting for more than 55.5 percent of the gross value of industrial output. This ratio far exceeded the national average, and it was the highest nationwide. The output value of exports rose by 70.3 percent over the previous year, and 60 percentage points over the growth rate of the gross value of industrial output. Total value of exports for the year equalled \$224 million, an increase of 82.3 percent over 1989. This overfilled the target for 1992 two years ahead of schedule and thus maintained a high-level growth rate for three consecutive years.

Last year Fujian made outstanding achievements in its electronics industry. The major achievements are reflected in the following aspects:

Color television sets remained the major export; growth in exports of components and spare parts doubled; and a series of technologically advanced products emerged. The province entered 84 electronics products into the international market, including 967,000 exported color televisions which accounted for 78.5 percent of total production, the highest nationwide. Their export value

was \$1.69 billion, or 76 percent of the total value of the province's exported electronics products. They became the most important export of Fujian's electronics industry. Forty-four different types of components and spare parts worth \$39 million were exported, a 1.13-fold increase over 1989. There were 1.08 billion items exported. The export value of 13 types of components and spare-parts, such as cores for tape recorders and electronic watches, color television circuit boards, and buzzers exceeded 1 million yuan. About 30 technologically advanced products, such as binoculars, energy-saving lights, photocopying machines, electronic toys, bronzing machines, and massage machines entered the international market. There were also a number of electronic medical products, like eye protectors, pain relievers, and health kits for the middle-aged and elderly. They were well-received by customers in international markets.

Foreign-invested enterprises were the principal force behind export production. Two companies, Xiahua and Furi, were primarily responsible, followed quickly by a group of export enterprises. The province now has 64 enterprises engaged in exporting, accounting for 36.4 percent of all electronics enterprises in the province. Of these, 40 are Sino-foreign joint ventures and cooperative enterprises. Last year, exports from these enterprises accounted for 91.6 percent of the total export value of the province's electronics exports, an increase of 79.9 percent over 1989. The output value of their exports accounted for 92 percent of provincial exports, an increase of 66.9 percent over 1989. They played a pivotal role in the export-oriented development of Fujian's electronics industry. Last year, the Xiahua Company exported color television sets worth 657,300 yuan, exceeding the year's planned amount by 31.5 percent. In addition, this company also managed to export more than 10 types of products, such as tape recorders, stereo systems, remote controls, and electronics components. Last year the company's exports were valued at about \$130 million, and it became the first enterprise in Fujian whose export value exceeded \$100 million. Last year the Furi Company, a Sino-foreign joint venture, developed eight new products for export and made great achievements. The company exported 301,000 color television sets. There were 19 enterprises whose export values exceeded \$1 million, including Putian Xingguang Electronics Plant, Fuzhou Electronic Inductive Components Plant, and Bailin Electronic Equipment Development Company.

The Fujian Branch of the China Electronics Import and Export Company was a major export channel. In order to promote exports of Fujian's electronics, the Fujian Branch has for years insisted on the principal of "integrating manufacturing with trade, technology with trade, and imports with exports," and adhered to the objective of "customers and manufacturers first." It has actively exercised the advantages of specialized manufacturing and trading firms, constantly adjusted the project structures, and worked to open up and optimize export

markets. Last year this company developed more than 20 new export products and established trade relations with more than 20 new clients while consolidating its base with old clients. Last year the company's total export value reached \$51.6 million, equal to 206.5 percent of the annual plan and one-fourth of the province's export value of electronics. This was no small figure, considering that the foreign-invested enterprises all had external operating authority and that they occupied the largest share in Fujian's electronics industry. In order to strengthen the integration between manufacturing and trade and consolidate and foster supplies of exports, the company provided timely information and other high-quality services. In addition, it also rationalized the management of funds so as not to incur any debts in production enterprises in the year. This consolidated harmonious, cooperative relations between the manufacturing and trade sectors. As a result, both sides achieved sound economic efficiency.

Preliminary progress was made in opening up principal export markets overseas. Last year Fujian started expanding its electronics export markets from the previously concentrated areas of Hong Kong, Macao, and Southeast Asia to more than 40 countries and areas on five continents. The proportion of products exported directly to overseas markets increased greatly. Several major export enterprises have already established a position in major markets for marketing, maintenance and repair, and raw materials purchases. This enhanced their products' responsiveness and recognition in world markets. Last year the Fuzhou Electronic Acoustic Equipment Plant exported to the U.S. market large and medium-calibre loudspeakers that were developed in response to a changing world market. Their export value in 1990 increased 1.45-fold over that in 1989. This electronic component and spare-parts plant became the first in Fujian to directly enter the U.S. market.

### **Improve Competitiveness for Wire, Cable Industry**

91CE0417A Beijing ZHONGGUO JIDIAN BAO  
in Chinese 12 Feb 91 p 3

[Article by Liu Xueyong (0491 1331 1661), affiliated with the China Electric Wire and Cable Export Joint Venture: "Ways To Make China's Electric Wire and Cable Industry More International Market-Oriented"]

[Text] How to increase electric wire and cable exports and become more adaptable and competitive under China's current system and policy conditions, is a task that is certainly confronting all factories in our electric wire and cable industry. The following views on ways for factories and enterprises to increase their electric wire and cable exports, are presented for study and reference only.

### **I. The Electric Wire and Cable Industry Must Have Teams of Export Specialists**

As the export business involves a wide range of matters, exporters must understand production and technology, while knowing the foreign trade business and, even more importantly, having a certain grasp of foreign languages. In order to have teams of specialists who study and are responsible for exports, such teams must first be organized and put in place.

In addition to being professionally competent, it is even more important for these teams to be politically and ideologically correct. Besides being willing to work hard at exporting, it is even more crucial that they are honest, observe discipline, and abide by the law. They must not only be able to perform particular export tasks for their own units, but must also act as advisors and assistants to export policymakers.

### **II. The Electric Wire and Cable Industry Must Build Up Good Technical Reserves and Make Good Export Plans**

As building up technical reserves is the basis for export planning, it should be a task of primary importance for factories that are qualified or basically qualified and wish to export. Waiting to build up technical reserves until foreign businessmen inquire about prices, is usually too late to meet needs and misses good opportunities. The following tasks should be accomplished to build up technical reserves:

1. Market information should be collected from all areas and collated with local factory qualifications, and well-packaged export product sample books or catalogs should be printed up to facilitate product introduction and publicity.
2. Aimed at the products a factory wants to export, conscientious studies of international standards (in areas, such as raw materials, products, packaging, and inspection) should be conducted, and relevant production technology documents and blueprints should be drawn up.
3. Based on international standards, the reliability of raw material sources and quality should be ascertained, the necessary testing should be carried out, and test reports should be provided.
4. The completeness of production equipment and industrial assembly templates should be tested and verified, and gaps should be filled, to ensure that production assembly lines are unimpeded.
5. Prospective export products should be trial-manufactured, the overall reliability of raw materials, equipment, technology, and industrial assembly templates should be tested and verified, overall appraisals should be made of finished products, and quality certificates and inspection reports that meet foreign criteria should be provided.



6. Those who participate in bidding should also provide data, such as letters of credit, credentials, and commission documents.

Once factories have completed all of these tasks, they will have built up reserves of complete sets of technical documents, up-to-standard product samples (test-manufactured finished products), quality certificates, and inspection reports. Then, as soon as they receive price list inquiries or bidding documents, they can respond very quickly and precisely about their ability to supply the goods, and make a good impression on potential buyers right from the start. This is of particular importance to beginning exporters and in contacting new customers. Not building up such technical reserves, not only will have an adverse impact on a factory's image, but also will make it lose many customers and miss out on many export opportunities.

### **III. The Electric Wire and Cable Industry Must Set Competitive Export Product Prices**

Once consumers have confirmed product standards or quality, export product prices usually become the focus of reciprocal bilateral discussion. In the case of bidding, prices set forth in bidding documents are the key to determining the success of bids.

International market prices for electric wire and cable generally fluctuate constantly along with international market prices for key metals, such as copper, aluminum, and lead, and are capricious, nonfixed market prices. Bidders usually set adjusted price values, and also must consider certain risk factors. Meanwhile, domestic prices are basically fixed prices which, despite fluctuating somewhat in recent years along with China's opening up to a market economy, are still out of line with international market prices. Electric wire and cables are products that consume a lot of raw materials, are high in value, earn a lot of foreign exchange, can be produced by many countries, are price sensitive, are sharply competitive, and are exported bullishly, which often makes it hard to sell them at a good price. This shows that how to adapt our electric wire and cable export product prices to international market conditions and make them more competitive under such complex conditions, is certainly a very difficult problem, which is directly related to the fact that our electric wire and cable export turnover is small and our export prices are not competitive.

How can we make our export prices more competitive? Under our current domestic policy and conditions, export factories themselves might make the following efforts:

1. They should stay in control at all times, seize opportunities, and seek out low- or suitably-priced raw materials, in order to meet "import" and "export" demands as much as possible.
2. They should enhance management, upgrade technology, improve technical skills, reduce consumption, lower reject rates, improve efficiency, share expenses

rationally, and strive to lower costs, in order to make export product prices reflect as much as possible true export product costs.

3. In order to set more competitive prices, they should consider international raw material prices and foreign exchange earnings, while balancing them with export product costs. They must coordinate these two actions rationally, and make efforts to sell at good prices. When competition is sharp, they must strive for small profits but quick turnover, and adapt sales to conditions.

4. Consumers often lack confidence in our electric wire and cable products when we first start exporting them. In order to break into the international market, win consumer confidence, and become better known, it is quite feasible to take tiny profits or even lose money. Temporary losses can lead to long-range profits. This is a common international market practice. It will be very hard under our current conditions to earn very high profits when we first start exporting electric wire and cables.

In summary, generally there are still opportunities to succeed in making these efforts under our current national policy of encouragement. That many factories have persisted in exporting for many years, increased their export earnings gradually, diversified their product varieties continuously, and expanded their markets increasingly, all go to prove this point.

### **IV. The Electric Wire and Cable Industry Must Perfect and Enhance Its Quality Control System, in Order To Ensure Export Product Quality**

It is a well-known fact that quality is of prime importance. Export product quality in particular must conform to promised standards. Substandard export products not only lead to reasonable demands for compensation and economic losses, but have a greater impact on reputation, and even cause loss of consumers, markets, and further export opportunities.

Once price list inquiries and bidding documents are received, conscientious steps must be taken to study consumers' technical demands, product criteria, and packaging requirements. When there are objections, consumers must be consulted with and efforts must be made to win their approval. As to bidding, although terms can be departed from when bidding documents allow, this may affect the viability of the bid. But contracts must be fulfilled once they are signed. In order to ensure quality before signing contracts, some consumers will ask to go to factories to investigate and inspect quality control systems and inspection and testing methods, some may



go to factories to check quality before acceptance of deliveries, and others will check quality before acceptance of shipments. Consumers often commission third countries or internationally recognized authoritative inspection organizations to make inspections at factories, or send them samples for inspection. As these inspections are often very rigorous, and sometimes even nitpicking, factory inspection departments have the key responsibility for ensuring export product quality. The packaging of electric wire and cable products is even more important. Even though the packaging may not necessarily have to be exquisite, tasteful, or beautiful, it still must not be neglected. It must at least meet the demands of long-distance ocean shipping, by being sturdy, durable, and moisture- and rot-proof. Clearly stipulated contract provisions must be conscientiously observed. Some overseas inspectors even measure packing container dimensions and plank thickness. Some bid items also stipulate that security bonds be returned only after quality is confirmed through installation and use, which shows the rigor of quality inspections.

In order to prevent economic losses and adverse impacts on reputations, export product quality must by no means be treated lightly. Years of export experience have proved that there can be no reputations without good export quality, no markets without reputations, and no export prospects without markets for products.

Perfecting and enhancing our quality control system, in order to ensure export product and packaging quality, is a key link in exporting electric wire and cable products successfully.

#### **V. The Electric Wire and Cable Industry Must Adapt to International Market Demands, by Improving Its "Contingency" Capabilities**

International market demand for electric wire and cable products comes mainly in the two forms of bidding and routine trading.

As diverse specifications and varieties, differences in quantities, and urgent demands for products frequently occur in bidding and routine trading, some foreign businessmen often begin with small orders, while others start with exploratory orders, because they do not understand or trust our products or factories. Some of our factories frequently lose export opportunities and consumers because they show no interest in orders for diversified specifications and varieties or small quantities, hardly realizing that small orders often precede large wholesale orders.

Because they are accustomed to a planned economy, most of China's enterprises have trouble adapting to the principle of supply upon demand once they shift to the international market economy. This requires first an ideological change and an understanding of international market demand, and then a set of production management methods that are suited to diverse varieties and specifications and small quantities. As long as their

understanding continues, our enterprises will be able to improve their contingency capabilities.

As some of our state-owned factories lack production capabilities, the method of finding ways to buy complete sets of equipment and providing goods to win steady customers, also merits being used for reference.

#### **VI. The Electric Wire and Cable Industry Must Fulfill Contracts To Protect Its Reputation**

In all foreign trade contracts, regardless of what changes are encountered (except for unavoidable ones), according to contract demands, goods must be delivered on schedule and in the guaranteed quality and quantity. There must absolutely be no individual acts of delivering goods or quantities that do not conform to stipulations (including packaging that does not conform to demands), that do not meet the schedule, or even changing prices at will. Such actions not only cause economic losses, but also damage reputations.

Those who invite bids on international projects stipulate that bidders must first put up bid bonds, and winners of bids must put up performance bonds. They also stipulate that once contracts are broken, not only are performance bonds confiscated, but "blacklists" are also put out (i.e., the country or region is not allowed to make bids for a long or stipulated period of time), and even that those who break contracts must make up the economic losses and the difference in price for new bids of those who invited the bids. This shows the severe consequences of not fulfilling contracts.

In order to export electric wire and cable products successfully, we must fulfill contracts conscientiously and guard our reputation closely.

In summary, as long as we raise our awareness, set up teams of export specialists, build up technical reserves and make good export plans, set competitive prices, ensure export product quality, improve our "contingency" capabilities in adapting to international market demand, and fulfill contracts conscientiously, we will be able not only to export successfully by increasing our export turnover steadily, but also to steadily improve our reputation and become better known.

#### **Xinjiang Textile Industry Develops**

91CE0414A Urumqi XINJIANG RIBAO in Chinese  
21 Feb 91 p 1

[Article by Shi Jian (4258 1017): "Xinjiang's Textile Industry Has Fruitful 'Quality Product Year'"]

[Text] The 1990 campaign of the "Quality Product Year" has brought vitality to Xinjiang's textile industry. While the national textile industry was in a slump, the output value of Xinjiang's textile industry still increased by 9.8 percent over the previous year. Seven of the 10 quality standards in the four major product categories of cotton, wool, knitwear, and silk surpassed those of the

previous year. About 30 products were awarded the title of quality products at the national textile industry level last year.

In recent years, textiles sales in the market were extremely stagnant, and economic efficiency in the textile industry dropped sharply. Under such circumstances, Xinjiang's textile industry launched the campaign of "Quality Product Year." To ensure the campaign's success, departments concerned organized conscientiously, mobilized employees at all levels, and conducted extensive education to raise employees' awareness of textile quality. Some enterprises initiated such activities as quality product exhibitions, seminars, and knowledge contests. As a result, both cadres and workers increased their awareness of product quality. They first focused on maintaining and upgrading facilities and organized four large-scale inspections of facilities in the wool and knitwear industries, enhancing improvements to the facilities and technology. In some large and medium-sized enterprises, the amount of defective cotton cloth decreased considerably. To tackle the problem of the growing number of new workers, they organized a contest of operational skills for eight types of work in Xinjiang's cotton, wool, and silk spinning industries. This promoted operational skills.

The Textile Industry Bureau of the Xinjiang Autonomous Region organized a seminar on cotton yarn inspection for all of Xinjiang's 41 cotton textile mills in order to strengthen inspections of the outward appearance of cotton yarn and cloth. The Cotton Products Supervision and Inspection Center intensified the work of selectively examining product quality. Last year, it conducted spot checks of 101 batches of cotton yarn and 63 products made from grey cloth and dyed cloth. Inspection results were issued seasonally. Problems with quality were reported to relevant enterprises so that every enterprise had to improve their quality inspection. During the "Quality Product Year" campaign, the region's Textile Industry Bureau organized several conferences for exchanging experiences as a way to direct at the macro level. At the same time, the bureau sent inspection teams to the north and south of the region to further develop the campaign.

The campaign effectively brought about development in Xinjiang's textile industry, and greatly upgraded the quality of textile products. The rate of first-class, low-count wool fabric and knit underpants coming off the production line increased by 6.06 percent and 3.83 percent respectively over 1989. Last year, 30 products were awarded the title of national-level quality product, 133 products were awarded the title at the industry level, and one woollen sweater product received the highest honor in the nation, "The Great Wall International Gold Medal." The number of products popular in the market increased to a certain extent. Last year, a total of 40 new textile products passed the autonomous region's appraisal, and over 500 new products entered production. Wool-blend tweeds, tailored Shunmao overcoats,

and tailored woollen sweaters produced by some enterprises were welcomed by customers both inside and outside the region. Half of Shihezi No 2 Woollen Mill's products were new products that were well-received in the market. The mill generated nearly 10 million yuan in output value, and over 1 million yuan in profits and taxes. The Cufang wool fabric created in the mill was a pioneer product in the nation; it was sold in many cities and provinces, and received awards three consecutive times in relevant national contests.

### Outlook for Exports of Basic Machinery Parts Bleak

91CE0416A Beijing JIDIAN BAO in Chinese  
24 Feb 91 p 3

[Article by Li Lian hui (2621 5114 1979): "Messy Export Situation Must Be Rectified"]

[Text] One day last year, Ruan, manager of the Guangdong branch of CMEC [China National Machinery and Equipment Import and Export Corporation], was negotiating with a foreign businessman in France about exporting basic machinery parts. They were about to sign the contract when the businessman received a long-distance call from a company in China, which suggested a lower price. After finishing his phone conversation, the businessman changed his mind about the deal. Ruan saw all this happen before his eyes, and was greatly annoyed. A contract he was about to sign was taken away by a countryman and colleague who offered a lower price.

This case is just the tip of the iceberg with regard to the messy situation of blind competition for exporting basic machinery parts. Similar, countless cases are known in China's basic parts industry, and the situation seems to be worsening. Recently, Zhang Yunfeng [1728 0061 1496], secretary of the Machinery and Equipment Parts Import and Export Association, told the reporter in a concerned tone, "Presently, foreign trade of basic machinery parts is exceptionally chaotic. Businesses each make their own deals, and each tries to sell at a lower price. The situation is such that rectification must be conducted."

### I.

Most basic machinery parts are labor-intensive products, which gives China a superior export position. In recent years, there has been increasing demand in the world market for basic parts. Sales of three commodities alone—bearings, fittings, and chains—have been worth 300 million yuan. However, it is deplorable that China's current situation regarding exports of basic machinery parts is not so optimistic, although conditions in the world market are favorable. Those parts of the world market that have been opened up face serious setbacks because of the blind competition for exports.

In recent years, increasing demand for basic machinery parts on the world market has stimulated growing interest and efforts on the part of many companies to

export these goods. Also, since machinery and electronics are not subject to state control, more and more companies turn their businesses to these products. According to incomplete statistics, there are currently more than 300 companies in China engaged in basic-parts exports. What is worse, those companies seldom try to open up new markets or seek new customers. Instead, they each go their own way when dealing with foreign markets, and fight each other to win away current customers. The major means of competition is to lower prices. Such practices have gone really far. For the same type of commodity, prices quoted by different companies may vary by 30 to 50 percent. At last year's Guangzhou Fair, the Basic Machinery Parts Import and Export Association selectively examined 64 signed contracts for bearings exports. Of these, 31 violated the minimum price to various degrees (that is, their prices were lower than the minimum price prescribed by the Association). For instance, the Xi'an branch of CMEC had a price that was 34 to 44 percent lower than the prescribed minimum price. The result of lowering prices to compete is a civil war, pushing the price of basic parts down again and again. Take the bearing 22580/20: a set sold for \$3 in 1987, but for only \$2.20 in 1990. One company even exports it for \$1.70. Consequently, the price of exported bearings is merely 24 to 31 percent that of the price of bearings from Sweden's SKF [expansion unknown] Company. This is generally true of prices for other basic parts as well. According to customs statistics, in the first three quarters of last year, exports of standard fittings earned \$37 million less because of lowered prices due to competition.

## II.

The disorderliness in foreign trade has resulted in great losses in China's basic-parts exports. Exports of fittings in the first three quarters of 1990 decreased by 2.18 percent compared to the same period in 1989; the rate of increase for other commodities also slowed considerably. At last year's Guangzhou Fair, orders for bearings dropped by 47.9 percent, orders for fittings dropped by 33 percent, and orders for chains dropped by 48.2 percent. Furthermore, the price competition brought about a series of other problems.

First, low prices for exports greatly widens the gap between domestic and export prices, resulting in serious losses for manufacturing enterprises, whose positive attitudes toward exporting are dampened. Presently, the export price for fittings is equal to the cost of raw materials. Therefore, many enterprises would rather slow down production than manufacture products for export.

Second, quite a few foreign trade (industrial trade) companies are cautious about business because of chaotic export prices for basic parts. This results in serious overstocking of products in the warehouse.

Third, when prices change dramatically, foreign businessmen hold back big transactions.

What is more worrisome is that the blind competition for exports hurts us in the world market, where we are beginning to get established. For instance, the United States imports about \$1 billion worth of bearings each year. According to experts' analysis, if things go smoothly, China's bearing exports to the United States may reach \$100 million in three or four years. Yet, with such a promising world market, domestic companies still fight each other, lowering prices to make a sale. This not only causes China to suffer economic losses but also provides openings for others. Thus the United States accused us of dumping bearings onto its market. This could be a disastrous blow to the bearing industry.

## III.

Currently, China's basic machinery parts are in a position to further expand in the world market. However, we must try to change the present situation as soon as possible. For this purpose, many manufacturing enterprises are calling for state-controlled exports of basic parts, with a unified channel, reasonable division of labor, and coordination between foreign trade ports and ports of exit. Some enterprises suggested establishing an export group corporation, adopting unified export policies, cutting out middlemen, straightening out export prices, and reducing the policy loss that comes from foreign-exchange-earning exports.

The reporter also recently learned that the Basic Machinery Parts Import and Export Association suggested to relevant state departments that basic machinery parts exports be controlled through a "stamp-of-approval" system. The Association will serve to coordinate with export companies in formulating regulations for prices, markets, and consumer contacts, and in unifying regulations for foreign trade and joint transactions. Under these regulations, companies may operate their businesses in their own way. With unified regulations for foreign trade, companies may participate in fair competition. All export companies must have their customs declaration forms examined or have an Association "stamp-of-approval" based on regulations before they submit the forms to customs. Forms without such stamps will not be accepted.

### Machine-Building Industry Focuses on Export Market

91CM0430A Beijing ZHONGGUO JIDIAN BAO  
in Chinese 24 Feb 91 p 1

[Article entitled "Focus Strength To Guarantee the Key Points and Accelerate the Pace of Technological Transformation—Guangdong's Machine-Building Industry Moves Faster Toward the Externally Oriented Economy"]

[Text] This reporter has learned at a recent meeting of directors and managers of the Guangdong Provincial Machine-Building Bureau that Guangdong's machine-building industry will move faster toward the externally oriented economy.

The major policies to be implemented are:

The industry will focus its strength on guaranteeing the key points. In view of the needs of the international market, in 1991 and during the Eighth Five-Year Plan period, the industry will concentrate efforts to help the 23 enterprises that are earning more than \$10 million in foreign exchange a year to undergo technological transformation and to expand the productive capacity of the 24 categories of export goods that are earning more than \$5 million a year in foreign exchange.

It will rely on technological improvements to raise the technical standards of all trades and industries in an effort to upgrade the export goods and increase product categories and raise the standard of export goods. It will keep track of the movements of foreign technological development, make technological breakthroughs, and accelerate technological transformation, so that its export goods can adapt to the international market where new commodities are constantly being introduced. It also will gradually replace its current low- and medium-grade, low added-value export goods with high-grade, high add-value products.

It plans to change the way new products are being developed and speed up the development of new products. It wants to change the old-fashioned method of putting technological development, product design, and artistic management in the same technical department. Instead, it will set up independent, multi-functional organizations that specialize in enterprise product development to make the development of new products more efficient.

It will arrange its productions according to international standards. In 1991, more than half of the major products will be produced according to international and advanced foreign standards so as to increase the industry's export capacity.

It will reform and improve the foreign trade management system and integrate the export companies with enterprises that handle their own exports so as to open up more channels and reduce the number of links when exporting. It will give full play to the respective strength of industry and commerce, coordinate the two sectors closely, and let them help each other. In view of the worldwide recession and the Persian Gulf situation which have made the current export situation very grim, it will work hard to open up more markets and lower the cost of obtaining foreign exchange. In order to become more competitive in the international market, it will organize enterprises that handle similar export goods to form joint companies or enterprise groups to export their products directly. This will increase the industry's export capacity and unify the industry against the outside world.

It will create more and better export product supply points, and while continuing to improve the existing export goods production bases, the export companies are

encouraged to work with enterprises via stock participation to jointly develop new export goods and establish solid export goods supply points. Industrial and commercial enterprises should jointly set up transnational companies and utilize foreign technologies and source of goods to produce and sell goods on the spot or export parts and assemble and sell them on the spot.

The industry will perfect after-sales service of its export goods, setting up and improving its overseas maintenance, service, and consultation network, as well as keeping track of the consumers and soliciting feedback.

### Production Permit Issuance Process Outlined

91CE0430B Beijing ZHONGGUO JIDIAN BAO  
in Chinese 24 Feb 91 p 3

[Article by Sun Yudan (1327 3768 0030) from the Production Department of the Ministry of Machine-Building and Electronics: "A Short Discussion Of the Single-Beam Power Cranes: The Production Permit Issuance Problems"]

[Text] Currently, the Ministry of Machine-Building and Electronics lists 17 enterprises that produce single-beam power cranes under the state plan. From the point of the nation's planned layout, the number of enterprises is basically reasonable, and the categories and quantity of products they put out can fully satisfy the nation's needs. However, since the state began issuing production permits, 87 manufacturing plants have been inspected and 57 production permits have been issued by November 1988, and it is unclear how many permits have been issued in the last two years. Permit issuance is still on-going.

To obtain a permit to produce single-beam power cranes, the following conditions must be met: One, the enterprise must be a fixed-point production enterprise as laid out by the Ministry of Machine-Building and Electronics and has been formally accepted under the state plan; two, it must pass a safety inspection conducted by the Labor Department; three, it has a current production permit. Meeting any one of these three conditions will qualify the enterprise as a legitimate producer. The first two conditions have always been in existence, but the last condition was put into effect only in 1984, and it is the cause of the emergence of a large number of new factories which have all become legitimate producers, resulting in a disastrous flood of single-beam power cranes being produced today.

The following are some of the problems found in the issuance of production permits:

1. The cost of enterprise certification is soaring:

Inspection prior to the issuance of permit for single-beam power cranes requires that the product be shipped to a manufacturing enterprise with the necessary facilities to conduct the tests. Such enterprises include the Kaiyuan Crane Factory in the northeast, the Xian Crane Factory

in the northwest, the Qingzhou Crane Factory in northern China, and the Changsha Crane Factory in southern China. This often means huge transportation costs. One enterprise reports that for a mid-sized crane to be inspected, it requires a 5-ton trailer-truck, plus round-trip transportation cost, loading and unloading cost, installation cost, fees for the engineers and technicians, and the certification fee charged by the inspection centers and so on. In all, it costs around 13,000 yuan, or the equivalent of one crane, to have a 5-ton unit inspected.

2. Certification has become the permit-issuing department's money-making device.

Since the current permit issuance process is profit-oriented, it has become the permit-issuing department's way of making money. Enterprises generally reflect that the fees charged by the certification department are too high. However, if an enterprise is qualified as a producer, cost is no problem, because once they passed the inspection, the permit is good for five years. It has been learned that the standard fees stipulated by the inspection centers for production permits are as follows: For 1-ton, 2-ton, and 3-ton single-beam power cranes, the charge is 4,680 yuan per unit; 5- and 10-ton cranes cost 5,000 yuan each; an additional 1,000 yuan is charged for reinspection if the product fails the first test. To increase economic efficiency, the relevant departments have also set quotas and assigned tasks to the inspection department, stipulating that "income is allocated according to the amount of funds received," and so the more plants a department inspects, the more income it earns and the more profit it makes, and the more permits it issued, the more money it makes.

3. The inspection department is spreading its net to catch more enterprises:

In order to issue more permits, the inspection centers have adopted a method of enlarging their nets to catch more fish, and all production enterprises, once discovered, are required to undergo inspections. For example, in Henan's Changyuan County, all 86 production plants producing large and small cranes that have opened in recent years are required to undergo inspections, and in Jiangsu Province, there is only one fixed-point enterprise listed by the Ministry, but by Nov 1988, 22 production permits, 11 in Wuxi City alone, have been issued, and dozens are still waiting for their inspection certification. This kind of reckless certification process which ignores society's needs has ruined the nation's planned industrial layout and has led to low-standard and redundant production of machinery and electrical products. But so long as they are certified, they are legitimate.

Such reckless issuance of production permits has also created the problem of quantity without quality. Some enterprises are not even equipped to be producers, and their products are substandard, but they still manage to obtain production permits. And because the new production enterprises keep on producing, and more and more

factories are applying for certification, there is no end to the certification process, and the closing day for permit issuance is being put off again and again. In view of the situation, some people have made the following suggestions:

1. We should clarify the relationship between quality-control certification and production permit. Currently, if an inspection department deems the product meets its quality standards, it issues a production permit. This is wrong. Permit issuance must be coordinated with the overall plan and be balanced against society's quantitative needs. The process should be put under the state's macromanagement.

2. We must sort out and consolidate enterprises that already have production permits. In accordance with society's quantitative demand for specific products, and depending on whether enterprises' production condition, product quality, and planned layout are reasonable, enterprises whose products are substandard and redundant should be eliminated and their permits rescinded. The remaining certified enterprises should be included in the state's annual production plan.

3. It is suggested that the state's Planning Department, Labor Safety Department, and Industrial and Commercial Management Department work together to find a way to issue manufacturing, production, and business licenses for machinery-type products to prevent people from taking things into their own hands. The formation of new production enterprises and the issuance of production permit should require the concerted approval of all three departments.

4. Inspections should be limited to the above certified production enterprises. If their products fail the inspection, the production department should be prohibited from producing those products, and production and sales without permits should be strictly banned.

### Technology Improves Henan Enterprises

OW2903165791 Beijing XINHUA in English  
1055 GMT 29 Mar 91

[Text] Zhengzhou, March 29 (XINHUA)—A group of old enterprises in Luoyang city, in central China's Henan Province, has witnessed great progress in improving product quality and developing new products with the help of high technology, leading to high economic efficiency.

Luoyang was the capital of nine different dynasties. The city boasts seven of the 156 key enterprises the state listed for setting up during the First Five-Year Plan period (1953-1957). In addition, the province has also set up three large factories in the city. The output value of these ten large enterprises and other medium-sized ones accounts for more than 70 percent of the city's total output value.

To improve the economic efficiency of these old enterprises and to give full play to their potential, the municipal government launched a program to reform them with advanced technologies.

The results have been that the Luoyang Glass Factory developed the technology of making float glass ten years ago, ending the country's history of importing this kind of glass.

Last year the factory invested more than 80 million yuan in rebuilding its No. 2 production line. Now the factory has three float glass production lines automatically controlled by computers and its products have been exported to more than 40 countries, including Britain, the home of float glass making. In addition, many countries have signed agreements to buy the glass-making technology from the factory.

Meanwhile, the Luoyang Copper Processing Plant invested 121 million yuan in construction of a sheet copper belt making system, which was completed in 1990. The plant now is the largest copper processing base in the country.

The plant has also developed more than 1,100 varieties of new products, increasing the export volume of copper belts to 60,000 tons annually.

The Luoyang Mining Machinery Manufacturing Plant poured 120 million yuan into technical reform, and built the largest gear-processing base in the country. The economic efficiency of the plant ranks first among the eight such enterprises in the country.

A number of enterprise groups have also been set up in the city.

Tractor manufacturing group was set up by a group of tractor plants, including the Luoyang Tractor Plant. The export of stationary bicycles developed by the group stands at 200,000 annually, earning more than five million U.S. dollars.

### **Minister Outlines Chemical Industry Development**

*OW3003144491 Beijing XINHUA in English  
0926 GMT 30 Mar 91*

[Text] Beijing, March 30 (XINHUA)—China will produce 145 billion yuan worth of chemical products by the year of 2000, quadrupling the 1980 figure, a senior government official said here today.

Gu Xiulian, Minister of Chemical Industry, said this means in the next 10 years the output value of the industry will grow at an annual rate of 6.7 percent.

She was governor of east China's Jiangsu Province before being appointed the minister. She is also a deputy to the National People's Congress.

Outlining tasks for the chemical industry in the next decade, Gu said efforts will be made to readjust industrial structure, boost production of raw materials, transform the processing sector and build a number of enterprise groups more competitive in the domestic and international market.

In the next decade, she said, the industry will be focused on the development of chemical products for agricultural use and finishing synthetics based on basic chemical raw materials. Efforts will also be made to develop highly finished products and petro-, coal- and salt-chemicals.

Leading products of the major chemical plants will reach the advanced international standards of the 1980s, she said, adding that the quantity, variety and quality of chemical products should meet the demand of various sectors of the national economy and of the people.

The output value of the industry in 1990 was 75.8 billion yuan. China is now one of the world's leading producers of farm chemicals, chemical fertilizer, sulphuric acid and soda ash.

To attain the goals set for the next decade, Gu said, it is necessary to handle well relations between the growth rate and economic performance, with the emphasis placed on the latter.

## **SMALL-SCALE ENTERPRISES**

### **Township-Town Enterprises Essential for Modernization**

*91CE0403A Beijing ZHONGGUO XIANGZHEN QIYE  
BAO in Chinese 13 Feb 91 p 1*

[Article: "Township-Town Enterprises Indispensable for Achievement of Second Great Strategic Goal—Second in Series of Discussions on Studying Party Central Committee's Proposal on 10-Year Program, Eighth Five-Year Plan"]

[Text] Over the past 10 years, under the correct leadership of the party Central Committee, the people of China, upholding the policy of reform and opening up to the outside world and vigorously advancing in unity, successfully achieved the first of the three strategic goals set by the party Central Committee for the modernization of China, i.e., the doubling of the 1980 gross national product, to solve the problem of providing people with enough to eat and wear.

Township-town enterprises made a significant contribution to, and rendered outstanding service for, the successful achievement of the first strategic goal. These enterprises have become a new force in the national economy. In the rural areas, the peasants' creation of wealth, the investment for agricultural modernization, and the building of new socialist rural areas depend on this force. The proportion of township-town enterprises in the national economy is growing year by year. According to statistics, in the Seventh Five-Year Plan

period the gross output value of China's township-town enterprises, calculated at current prices, was 950 billion yuan, an increase of 2.5 times compared to that in 1985; and the output value of township-town industry was 700 billion yuan, an increase of 2.7 times as compared to that in 1985. In this period the net increase in the output value of township-town enterprises was about 32 percent of the net increase in the gross output value of China's society as a whole and about 67 percent of the net increase in the gross output value of China's rural society.

In the Seventh Five-Year Plan period, the rural surplus labor newly placed in township-town enterprises accounted for 57 percent of the newly employed people in China; the increase in taxes paid to the state by township-town enterprises accounted for 23 percent of the increase in China's financial revenue; the increase in foreign exchange earned for the state by township-town enterprises accounted for 29 percent of the net increase in state foreign exchange revenue in the same period; and township-town enterprise wages, as an increased portion of China's per capita rural income, accounted for 33 percent of the net increase in the per capita net income of China's peasants. Now, in some areas where township-town enterprises are well developed, like Wuxi, Suzhou, and other places, these enterprises have an economic position that is "one-half of the economy" and some have attained an economic position that is "two-thirds of the economy." As some economists have pointed out, in our socialist economic development—this great chessboard—township-town enterprises are no longer "pawns," but have become a group army of considerable scale equipped with a full complement of "chariots, horses, and cannons," and have become an important component part of the "game of chess" played on the entire "board" of China.

Precisely because this is the case, the central leadership has always paid a great deal of attention to, and shown great interest in, the development of township-town enterprises. Deng Xiaoping has highly praised these enterprises as a new force that has suddenly come to the fore that is the greatest result of rural reform. Comrade Jiang Zemin has said: The role of township-town enterprises not only lies in having industry nourish both agricultural and sideline production, but also lies in close ties to urban large-scale industry and foreign trade export, as well as close ties to agricultural and nonstaple food production. If there were no township-town enterprises, there would be no "money bags"; not only would the "vegetable baskets" and "rice bags" come to nothing, but the state's financial revenue and its foreign exchange earned by export would also be adversely affected.

In particular, in last year's market slump and the serious shortage of enterprise funds caused by triangular debts, under the circumstances in which there was a big downside in production and a dropoff in economic performance, and in which financial revenue quotas

could not be met, the township-town enterprises developed flexible mechanisms, courageously tackled difficulties head-on, and became the main guarantors of China's industrial growth and financial revenue. Sixty-five percent of China's newly added industrial output and 50 percent of its newly added tax revenue came from township-town enterprises. This special role made people change their minds, and they decided that township-town enterprises were not the "enemies" but the helpers and partners of state-run enterprises. Their common conclusion was that township-town enterprises were becoming more and more "lovable."

The "Proposal" passed by the Seventh Plenary Session of the 13th CPC Central Committee fully affirmed the position and role of township-town enterprises in China's national economy. The "Proposal" pointed out: "Township-town enterprises are an important pillar of the rural economy and an important component part of the national economy. They are of important significance for the development of the rural commodity economy, the increase in peasant income, and the promotion of rural prosperity." That is to say, the Central Committee treats these enterprises as an important component part of socialism—this game of chess—and not as "aliens," as some comrades think of them, to be rejected. The Central Committee should regard this guiding idea as the foundation for unifying the understanding of township-town enterprises by the entire party and entire country. On this foundation, giving play to their role as functional departments, vigorously supporting them, and correctly guiding them will cause them to develop constantly, grow strong, and improve.

With great enthusiasm the entire party and all people in China are now studying and implementing the party Central Committee's "Proposal," and with even more feeling they are throwing themselves into the battle to achieve the Eighth Five-Year Plan and 10-Year Program. It may be said that, for the township-town enterprises, the ice has already been broken and the channel already dredged. Provided all members of our party, from top to bottom, work together with one heart and one mind, in the next 10 years the township-town enterprises will certainly have good prospects in the national economy—this great chessboard—and will make a greater contribution to building socialism with distinctive Chinese features.

#### **Guangdong Enterprise Exports Pass 10 Billion Yuan**

91CE0403B Beijing ZHONGGUO XIANGZHEN QIYE  
BAO in Chinese 4 Feb 91 p 1

[Article by Zhang Yao'en (1728 1031 1869): "Gross Value of Guangdong Township-Town Enterprises' Exports Break Billion-Yuan Barrier"]

[Text] Guangdong's township-town enterprises have obtained marked results in vigorously developing the export-oriented economy. It is estimated that the gross

value of the province's township-town enterprise export products last year could reach 10.4 billion yuan, 20.9 percent higher than that of the previous year. They earned \$2.5 billion yuan in foreign exchange, a 20 percent increase, of which the "three forms of import processing, and compensation trade" accounted for \$915 million; and joint venture, contractual ventures for \$380 million. The income of town-level export-oriented enterprises in a small number of economically developed areas accounted for half or more of the total income of town-level township-town enterprises. Last year the investment by foreign businessmen showed the following characteristics:

- Many signed contracts, fast investment. In Huizhou City 14 percent more contracts were signed last year than were signed in the previous year. For many contracts the period of time from signing the contract and going into operation was only two or three months.
- Increase in the variety of businessmen, with an increase in number of Taiwan businessmen. In the past most of the investment in the cities of Shenzhen, Shantou, and Huizhou was made by Hong Kong businessmen. However, in recent years in the towns and villages of these areas, investments have been made by more than 10 countries and regions, including Japan, America, South Korea, West Germany, Thailand, Singapore, and Taiwan. Of these investments those made by Taiwan businessmen were conspicuous. Last year Taiwan businessmen made 200 investments in Shenzhen City, with a total value of more than \$100 million. In Chaoyang County last year, 53 "three forms of import processing, and compensation trade" enterprises were newly developed, and among them 13 were enterprises wholly owned by Taiwan businessmen.
- Big investments, large-scale projects. Among the newly introduced "three forms of import processing, and compensation trade" enterprises in Shenzhen City, more than 150 were large-scale projects that had an agreed investment value of HK\$5 million or more, accounting for 11 percent of the total number of newly introduced projects; there were 64 "three kinds of enterprises that are either partially or wholly foreign-owned" in which foreign businessmen had invested HK\$5 million or more, accounting for 50.8 percent of the total number of newly introduced projects.
- Sufficient confidence, long investment periods. The many years of cooperation have given the foreign businessmen confidence. In Shenzhen City many foreign businessmen have extended their original investment periods of three to five years, or five to 10 years, to 20 to 30 years. Many of them have taken the initiative to expand their investments or increase the number of shareholders.
- High grade, strong specialization. In the township-town enterprises in Shenzhen and Dongwan cities, in

the early stage the great majority of the products of enterprises that processed imported materials were labor-intensive products. In recent years these enterprises have gradually switched from labor-intensive products to technology-intensive products, and some industrial parks in towns or villages have become processing enterprise complexes.

### Township Enterprises Adapt to Local Conditions

91CE0457A Beijing ZHONGGUO XIANGZHEN QIYE  
BAO in Chinese 22 Feb 91 p 1

[Article by Fei Xiaotong (6316 1321 6639), Vice Chairman, Standing Committee of the National People's Congress: "Development of Township Enterprises Must Adapt to Local Conditions"]

[Text] Supported by the Masses, Township Enterprises Are of Great Vitality

In 1990 I visited Yunnan, Fujian, Hubei, Inner Mongolia, Gansu, Shaanxi, also saw Zhejiang and Jiangsu where I had gone back at least once every year, tracing developments in these areas. When I visited Jiangsu in 1989, things were still rather tough, it was a most difficult year, and I was worried. I had gone back to see old friends there, old friends who were in charge of township enterprises. I asked them how things were, and they replied: Don't worry, we will find a way. I asked, what way? They said, there are two ways: One is that our peasants now rely on the operation of township enterprises. They can't do without township enterprises, that's where half of their income comes from. Closing down for a few days won't matter, with the spring breeze, new life will bloom forth, and once we are through the severe winter, things will develop again. This tremendous strength and strong vitality is owed to the support from the masses, we must never deviate from that, don't you worry. The other way is having our basic-level government organization relying on township enterprises. Without them, the basic-level government could not work successfully. Much of the supernumerary personnel and much of the resources for expenditures, all depend on money from township enterprises. There is no way that we can do without them, that's why the local cadres support them. These two sources of support are very powerful indeed. Whatever storms and waves will hit us, it will not matter, we can cope. I said, with these two sources of support you are really well off, and there is indeed no need to worry. Of course, township enterprises in China may have their ups and downs, their times of difficulties and their times of prosperity. But there will always be further development and there cannot be failure, because they suit the national conditions of China, and they have Chinese characteristics. There is nothing like it in the whole world. I visited Japan one month ago, and during a discussion—people knew about my connection with the township enterprises—they said, Chinese township enterprises do not exist anywhere else



in the world because the way of industrialization in many countries is development of industry at the price of agricultural bankruptcy.

### **Township Enterprises and Agriculture Are Close to Each Other Like Flesh and Blood**

China's township industry is like a child born from mother agriculture, and this child, the township enterprises, again depends on agriculture to nurture it and bring it up. By now, the township enterprises have grown up, and they will look after their mother. There is something of China's ethics in it—the honor and obedience due to parents. Going down to the grassroots one sees very clearly that closeness as between flesh and blood. At the basic level in the Chinese rural areas, agriculture and industry are inseparable like flesh and blood. Township enterprises are not merely someone's brainchild, but have come about naturally as one phase in China's historical development, and that is why they are that sturdy.

### **Viewing Township Enterprise Returns From the Larger Angle of Society as a Whole**

Many people have argued with me, telling me, you are so much in favor of township enterprises, but their costs are very high! I say not necessarily so. They say, since we are working for modernization, we must concentrate efforts, achieve returns to scale. I say, you are correct, but if we were working for modernization without the township enterprises, 90 million peasants would stream into the cities, and would ruin the cities in no time. China has a large population, but many of its people have nothing to do; they have no facilities and no opportunity to be productive. A large population means many mouths to feed, and if there is work for only a few and no further employment opportunity, the manpower of over 200 million people would be completely wasted; that is the very gist of the problem. Why is it that we find that everybody is now much better clothed these last 10 years, where does that come from? Quite frankly, it's an easy equation, it's the important part played by the manpower of those 90-odd million. We all share that wealth. It is really marvelous. The values produced by township enterprises during these 10 years is inestimable. All of us Chinese share in the benefits. This wealth has not merely dropped from the skies, it has been created by labor. As peasants take up industry, product value produced by them may not be high, in fact is rather low, but they are no more eating for nothing and no more idle. Apart from feeding themselves, there is still some surplus labor value; all this wealth together makes life much more comfortable for us.

### **Rural Industry Is a Special Chinese Creation**

Running modern industries in the countryside is something new; it is nothing traditional, because the traditional way was to engage in handicraft. It also does not exist abroad, it is a special Chinese creation. It has been created by the peasants themselves under the new historical conditions; it is something very precious. Because

it is a creation of the masses, nobody can wipe it out, and nobody can willfully change it. It must remain in existence, that is how things are. All who are present here are representatives of township enterprises throughout the country, it is you who are in charge of this affair. Most township enterprises have been developed in the last 10 years, there are very few that are older than 10 years. Isn't that so? Twenty years ago, 15 years ago, 10 years ago, and then also during the cultural revolution, nobody dared speak up, and everybody was only surreptitiously doing it, right? At the beginning we did it under someone else's signboard, because Chairman Mao said that it is quite in order to have in the villages "repair shops" for agricultural machinery, that's when we hung up that signboard and started township enterprises, which at that time were called commune and production brigade enterprises. The place that comrade Lu Guanqiu [7627 0385 3808] started up there was a repair shop. However, later some people thought that these operations conflicted with state-run enterprises, and they mistrusted and suppressed them. As time went on, fewer people mistrusted them, and most recently the CPC Central Committee at its Seventh Plenary Session fully endorsed them. The CPC has always recognized history, Marxism-Leninism recognizes history, and township enterprises are an inevitable historical development.

### **Development of Township Enterprises Must Adapt to Local Conditions**

Are there still problems with the development of township enterprises? There are; they have been very unevenly developed. In the last few years, I traveled all over the country and saw that the disparity is really too large between the various localities. I travel every year to the most western regions of Gansu; for five years I did so. The difficulties in that area are great indeed, and starting township enterprises there is also beset with many difficulties. I analyzed and studies the problem how to develop township enterprises in the vast expanse of the northwest. It is my opinion that these backward areas must also start township enterprises. However, if asked to do that, they will say that they see no possible projects for such enterprises. If the county would allot a project to them, they would ask for money, and if given a sum in view of their poverty, they would again have no one who can run an enterprise; they are really in no position to make a success of it. If they were to set up a factory, they would be unable to make it a modern enterprise because they lack the commodity concept, and they would only run it as a household production, and that would, of course, make it impossible to run it successfully. Many localities have started enterprises that not only are not profitable, but prove to be a burden, that is a serious lesson. It explains that if one were to insist on starting a township enterprise where developments have not yet reached a certain extent and where conditions are unsuitable, no help will be derived from the enterprise, but it will be the source of losses. What, then, are the essential conditions that will ensure success for an enterprise? This is a question that must primarily be studied.

After I had visited the northwest a few times, I suggested to them to start a twofold action: one is to rely on benefiting from large- and medium-size enterprises, and one is to start courtyard economies. First about the first-mentioned action: There are many large- and medium-size state-run enterprises of very large proportions in the Northwest. They are very strong technologically, and the ratio of their technical personnel is higher than even in Shanghai, but up to now this technological strength and economic power is to a large extent holed up in caves, as a consequence of historical developments. If it were possible to bring this technological strength into play to help the nearby townships in establishing enterprises, it would be truly terrific. I am a native of Jiangsu Province, and development of township enterprises in Jiangsu depended to a large extent on the training of large numbers of technical workers in Shanghai. The relocation of some of Shanghai's veteran technical workers to the countryside during the cultural revolution laid the technological foundation for the development of township enterprises in the Changjiang Delta. To insist on instituting township enterprises in the northwest while the townships there lack technological strength simply would not work. Technological strength is not something that falls from the skies, it has to be nurtured, it has to have a definite source. Some localities I saw in the northwest have technological potential of which use is not fully made. I found that most regrettable. Ways must be found there too to strengthen the ties between townships and the large- and medium-size enterprises, and as far as possible to disseminate technological strength to the local regions. The other action would be to develop courtyard economies, which means the various single households should use their own manpower, and the land they have contracted for, to develop agriculture, forestry, animal husbandry, and fishery. Anything that can be handled should be taken up, for instance, some small orchards, small forests, raising rabbits, etc., can all be productive enterprises of single households. Many things can be produced in single households, and for all surplus, markets must be sought to sell such surplus, which will then become commodities. If there is more than can be sold, processing industries should be started. Industries would in this way grow slowly out of agriculture, and township industries would also develop in the same manner. This is the other action that I thought of. In brief, we must start out from the realities, not engage in empty fantasies, but do what it suited to local conditions. Starting from basic and simple raw materials will enable industrialization of the villages. If our township economy will from now on advance on this road, we can possibly achieve a way of industrialization with truly Chinese characteristics.

#### What Has To Be Done in Jiangsu Province?

In the above, I have dealt with conditions in the interior; I am a Jiangsu delegate in the National People's Congress. People from my home province have come to me and asked me to talk about what has to be done in Jiangsu. I said: "shoot first to one side and then to the

other." What did I mean by that? It meant to become involved in two markets, the foreign as well as the domestic market. I have been saying that for more than three years, and it has now finally come about. That's why they now all tell me, your "shooting to two sides" has helped us because we have become quite successful in aiming at the foreign market during the last few years. Jiangsu's foreign market is different from that of Guangdong. What is Guangdong like? It is like a shop in front and a factory in the rear. The shop is in Hong Kong, where they are engaged in trading, business operations, and where orders for goods are placed, while the factory is in the Zhujiang Delta. There they engage in the processing of imported materials, costs are cheap, and there is a 10-fold difference in labor costs between Hong Kong and the interior, that is the Guangdong pattern. For Jiangsu that will not do, because Jiangsu is too far away from Hong Kong and Macao, making processing imported materials difficult, and it could not catch up with Hong Kong. Jiangsu, therefore, must raise the quality of its products, open up international markets, and operate foreign-oriented enterprises, mainly for exports. Enterprises of this kind demand highly developed technologies and high quality of products, which cannot be achieved quickly. We must first set about the task of acquiring technologies and developing new ones. For instance, what we export now are mostly raw silk and semifinished silk fabrics. Our printing and dyeing techniques are inferior to foreign techniques. Our clothes are rustic, unstylish, and unfit for the international market. We, therefore, have to raise standards. Jiangsu's problem is to emphasize technology, quality, and information gathering, and to institute truly modern management. Jiangsu should relocate some of the labor-intensive enterprises elsewhere. This would not be a move wilfully initiated by some people, but rather following the objective law of economics. Jiangsu must engage in what are technology-intensive endeavors. Jiangsu must not be self-satisfied. If one were to be satisfied with keeping things as they are, we could neither compete with Guangdong nor enter foreign markets, and be too weak even for the domestic market. The only way that remains, therefore, is to orient toward overseas and to shift to modern business operations, to truly raise our industries to the level of modern industries, to put our trust in information gathering, technology, and science.

#### The Changjiang Delta Must Have a Center: That Center Is Shanghai

For Shanghai to regain its former position, we cannot merely rely on Hong Kong. Hong Kong is not primarily a place of industry, but rather like a shop for doing business, for international trade, for monetary transactions, for gathering information; something like the former foreign business firms in China. The Pudong district of Shanghai must not merely become a common industrial base, but must become an economic center, must be built into a monetary, information, technology, and educational center. We are not yet well versed in this

area and lack knowledge in how to do it, because for 40 years we have become accustomed to plan economy; we must, therefore, learn most diligently.

Jiangsu and Shanghai are both along the banks of the Changjiang; there has to be a "head of the dragon" for the whole Changjiang basin. It just will not do to go on without such a head. There would be no effective intelligence, and with every blast of stormy weather, everybody would lose all sense of direction. There has to be, therefore, a kind of control room, an economic control room. The economic control room, being thoroughly versed in the laws of economics, would freely play around in the international market. With regard to the interior, initiation of this kind of socialist economic center would be something at a high administrative level. It should not start competition with Jiangsu and Zhejiang; to manufacture the same product that the other fellow makes is rather senseless. Jiangsu must go that dual road, "shoot to both sides": on the one hand, develop an export-oriented economy and break into the international markets; and, on the other hand, relocate some of its industries to the interior. There is now a shortage of manpower in many factories at Wuxi and Suzhou, and they try to attract many workers from other places. For the purpose of a fairly balanced development, it would still be best to transfer some of the labor-intensive enterprises to the interior. In both respects we must take a long-range view. We must not merely look at what is immediately in front of us. We must look ahead into the 21st century; what kind of an economic setup shall we have then? Township enterprises appear to be small, but their ramifications are very significant, and all of them taken together are something tremendous. Now, they already account for one-quarter of the gross national product, which in the future is bound to become one-half. The township enterprises of Jiangsu started by exceeding agriculture and now again exceeds the urban industry and state-run industry, accounting for half of the gross industrial output value, a so-called "equal sharing of the world." Jiangsu is at the forefront while other places are doing the same, it is an objective law. We must therefore direct our eyes toward the world, look ahead toward the future, pave the way and forge ahead. We must constantly strive to become stronger, exert great efforts to create all the necessary favorable conditions, and promote the continuous growth and strengthening of township enterprises.

#### **Rural Enterprises Production Structure Develops**

91CE0457B Beijing ZHONGGUO XIANGZHEN QIYE BAO in Chinese 20 Feb 91 p 2

[Article by Li Xia (2621 0204): "Gradual Adjustment of the Production Structure of Township Enterprises—Rapid Development During the Last Ten Years of the Primary, Secondary, and Tertiary Industries in the Rural Areas"]

[Text] During their period of growth and development in the 1980's, the township enterprises, stimulated by the

state's macroeconomic regulatory control and by market regulation, continuously readjusted their production structure and product mix. In the past 10 years, the township enterprises broke free of the singular agricultural economic structure and changed the situation of strict separation between city and countryside. They made an important contribution to the structural readjustment of the national economy, to the rapid development of the primary, secondary, and tertiary industries in the countryside, and displayed conspicuous capabilities in every area of the national economy.

The past 10 years were precisely a time of initial adjustments in the structures of the primary, secondary, and tertiary industries of the rural areas. The proportions of these three types of industries in 1980 were 6 to 86 [between primary and secondary industries] and 7 to 7.3 [between secondary and tertiary industries], and these figures became adjusted in 1989 to 1.7 to 82 and 5 to 15.8. The special characteristics of the change in the product structures of township industries during this time was that production volume of the primary and secondary industries declined by 4.3 and 4.2 percentage points, respectively, and the tertiary industries increased by 8.5 percentage points, while the output value of all three types of industry increased by a large margin. It shows that the structure of the rural economy is shifting toward a plurality of production structures.

The production structure of township enterprises is primarily that of a processing industry. In 1989 the output value of light and heavy industry of township enterprises was 210.6 billion and 181.3 billion yuan, the ratio being 53.7 to 46.3. In this figure the processing industry accounts for 86.6 percent of the output value of light and heavy industries, which is 14.1 percentage points higher than the share of the nationwide processing industry in the output value of the nationwide light and heavy industries. Main activity of these processing industries is processing of raw materials from local mineral resources, rough processing of some raw materials derived from agricultural and sideline production, processing as providers for urban industries, manufacture and processing of some means of production and of consumer goods for daily use, processing of certain goods destined for export to international markets; over 90 percent of their production are well within lines prescribed by the state's industrial policy.

#### **Report on Township Enterprises in Localities**

91CE0426A Beijing NONGMIN RIBAO in Chinese 22 Feb 91 p 2

[Article by Fu Zhidi (0265 0037 2769) and Zhou Jianhao (0719 1696 6275): "No Burdens, Spring's Flowers Are A Dazzling Red—New Plans for Township Enterprises in Six Provinces"]

[Text] "We have passed through the severe winter, and we should try even harder during the warm, blossom-filled spring." This is the remark made by Tan Zheng

[6223 2973], a rural entrepreneur and director of the Hongqi Chemical Plant in Wuhan.

Last year, township enterprises in China overcame many difficulties, withstood severe tests, and maintained a stable and coordinated development. When the Year of the Ram arrives, what new plans will township enterprises in various localities have? Not long ago, at the National Work Conference on Township Enterprises, rural entrepreneurs from various provinces and municipalities earnestly summarized their past experiences. On this basis, they analyzed and discussed new situations, as well as new issues, and worked out new measures and plans. They worked to make further progress in the new year.

#### **Heilongjiang Province: Working to Upgrade 2,000 Enterprises**

By focusing on product quality, product types, and economic results, Heilongjiang Province will further deepen the "Management Year" campaign. It will focus on upgrading enterprises and helping promoted enterprises to continue moving up. By the end of 1991, it will strive to upgrade 2,000 enterprises by at least one level, make 100 enterprises meet the minimum acceptance standards for a provincial-level advanced township enterprise, and turn 10 enterprises into provincial-level advanced enterprises. On this basis, Heilongjiang Province will further deepen the "Enterprise Management Year" campaign. It will make plans for enterprises to achieve higher targets, and select some enterprises as the experimental units. Then it will strive to comprehensively conduct the campaign in three to five counties or districts. At the same time, the province will continue evaluating enterprises. This year the focus will be on village enterprises. All enterprises which were not evaluated last year will be included. It anticipates finishing the work by the end of this year. In this way the province can make 70 percent of its village collective enterprises meet acceptance standards and make 70 percent of key rural enterprises upgrade to various degrees. It can also make township enterprises' freely circulating funds reach an average level equal to 30 percent of the province's quota for circulating funds.

#### **Anhui Province: Reducing Material Consumption and Perfecting Overall Management Quality in Enterprises**

Anhui Province will continue to produce high-quality products, tap enterprises' potential through innovation, and reduce material consumption. By producing high-quality products, the province can not only perfect work standardization, the overall quality of management, and statistical work in enterprises, but it can also implement measures for controlling, monitoring, and guaranteeing product quality in enterprises. By tapping enterprises' potential through innovation and by reducing material consumption, Anhui Province will perfect enterprises' statistical and quota management work, as well as their financial accounting management work. Construction industries and other enterprises which consume a lot of

energy must be dealt with in particular. Major efforts will be made in "double increase, double economy" activities. In 1991 the province will strive to achieve a 1.5-percent reduction in general energy consumption for every 10,000 yuan in industrial output value in rural collective enterprises. The number of circulation days for quota circulating funds will be speeded up by six days compared with the previous year. Overall labor productivity will increase 5 percent, capital profit taxes by 1 percent, and per capita profit taxes 3 percent.

#### **Shandong Province: Multifaceted and Accelerated Technical Training of Various Qualified Personnel**

Shandong Province plans to train an average of 300,000 personnel per year. In enterprises, the proportion of technicians to the total number of workers should increase from 1.76 percent at the end of the Seventh Five-Year Plan to 2.5 to 3 percent. Personnel components in rural enterprises should gradually have their own characteristics. Regarding training of cadres in the departments that are mainly responsible for rural enterprise work and on-the-job training for various enterprise management personnel, by 1992, 880 cadres above the bureau and section chief levels and above the prefecture (county) levels; 4,500 directors from township enterprise administrative commissions (economic commissions); and 10,000 directors (managers) of enterprises that produce over 1 million [yuan] in output must all receive general training. From 1991 to 1995, enterprise directors (managers) under the age of 45 must receive compulsory training. Those who fail to pass the examination cannot sign enterprise responsibility contracts, and their enterprises cannot be upgraded to higher ranks. Those 167,800 personnel who received their technical titles during the Seventh Five-Year Plan will continue receiving training to update their knowledge. During the Eighth Five-Year Plan, there are plans to train 500 workers to the vocational college level and 8,000 workers to the vocational high-school level. Shandong Province will continue improving technical and professional training work for employees, making 30 percent of workers master the knowledge and skills at the fourth-grade worker level.

#### **Zhejiang Province: Consolidating Leading Bodies and Perfecting New Rounds of Responsibility System**

Zhejiang Province is working to consolidate and expand its collective economy, enhance enterprises' strength and vitality, and earnestly implement and perfect new rounds of contracts in the responsibility system. In township enterprises, Zhejiang Province practices the collective contract responsibility system represented by enterprise directors. In key enterprises, it fully carries out a responsibility system in which enterprise directors have specific targets during their terms of office and in which leading bodies remain relatively stable. It also establishes enterprise directors' central positions in their enterprises. The province develops and perfects the workers' democratic management system, utilizing their role of being masters of their own affairs. Enterprises'

centripetal and coagulative power is consolidated. Meanwhile, financial supervision and internal auditing are also enhanced, so as to guarantee constant growth in enterprises' strength.

#### **Guangdong Province: Smart Distribution and Rational Adjustment in the Industrial and Product Structures**

The policy of "three simultaneous advancements" made by the Guangdong Provincial Party Committee and the Guangdong Provincial Government is continuously followed in Guangdong Province. This policy means simultaneously advancing the agricultural, industrial, and service sectors; simultaneously advancing large, medium, and small enterprises (projects); and simultaneously advancing collective, joint-household, and family enterprises. In practice, the province emphasizes three things: advancing mainly the collective economy; advancing industrial enterprises; and advancing the industrial and service sectors. According to this policy, Guangdong studies its development strategy. When considering township enterprise development, the principle is to plan according to local conditions and guide township enterprise development based on various categories. According to the state's industrial policies and the market demand, Guangdong will develop projects and products most suited to the province, making its industrial and product structures more rational. It will not engage in a unified development strategy and follow others' development examples without regard to specific local conditions.

#### **Guizhou Province: Standardizing and Strictly Accounting for Enterprises' Financial Costs**

Guizhou will conduct a campaign to "meet accounting standards." First, it will finish assessing and accepting work to "meet accounting standards" in 20 of the province's key collective enterprises. In conducting the activity of "holding accountant certificates at posts," Guizhou Province plans to use last year as a base, complete accountant training and testing, and issue another 5,000 accountant certificates. It also plans to formulate, issue, and implement "Methods for Managing Fixed Assets of Township Enterprises." Starting this year, it will conduct a wide audit of propaganda in rural collective enterprises. The province will also try to assign professional personnel to these enterprises, gradually establish and perfect their internal auditing organizations, and earnestly follow the auditing system. Based on handling 1990's final financial accounts well, this year the selection of advanced collective units and advanced individuals in financial management among township enterprises will be conducted province-wide.

### **CONSTRUCTION**

#### **Zhuzhou City Outlines Housing Reform Measures**

91CE0370A Chongqing TIGAI XINXI [SYSTEMIC REFORM NEWS] in Chinese No 24, 20 Dec 90 p 23

[Article by Jin Zhouwei (6855 0232 0251), edited by Luo Guohong (5012 0948 4767): "Public Housing Mortgages, Replacing Rents With Interest"]

[Text] In November 1989, the government of Zhuzhou city promulgated new measures for housing reform based on the principle of "determining mortgages based on housing area; eliminating rent and replacing it with interest; refunding interest when inhabitants vacate premises; and fining those who violate the regulations." Its measures are as follows:

**1. Clarifying the limits of reform.** All houses and apartments held by organizations and groups, military, enterprise, and business units, and independent industrial companies within the county (municipal) organizational system of Zhuzhou City are included in the reform program.

Housing completed after 1 August 1988, and that completed before that date but which has not yet been inhabited is defined as new housing; all remaining housing is old housing.

**2. Formulating mortgage standards.** Mortgages will be collected on the basis of the housing structure and living area. The living area for enclosed balconies, attics, and closets is calculated at 50 percent of their areas. The living area for open balconies, basements, false levels, and coal storage is calculated at 20 percent of their areas. Afterwards, the mortgage rate will be calculated according to the housing structure. For instance, mortgages for new housing with steel and concrete frames will be calculated at 55 yuan per square meter, mortgages for old housing with the same construction will be calculated at 35 yuan per square meter, and the rate will decrease accordingly. Mortgages must be paid by individual tenants. In no case may the work unit or employer pay the mortgage for the individual. Payments will be deposited in the tenant's name at the real estate loan department of a bank; no person or work unit can use the payment for other transactions. Interest from units holding the property rights will be calculated by the real estate loan department and used for maintenance and management.

**3. Eliminating rent and replacing it with interest.** Households which make deposits will sign a mortgage contract with the unit holding the property rights, and the contract will be notarized in a notary agency. Rent will not be collected after mortgage payments are made; interest will replace rent. For households that live in old housing and do not want to pay a mortgage, they may pay rent directly to the units holding the property rights. There will be standard minimum monthly rents based on the housing structure and living area. The rate will vary from 0.38 yuan per square meter for steel and concrete structures to 0.13 yuan per square meter for simple structures.

**4. Refunding the mortgage after inhabitants vacate the premises, and fining those who violate the regulations.** Households that do not want to continue living in public housing should turn the property over to the owners. Once the owners notify the real estate loan department to process the refund, the mortgage will be returned to the household at once and in full. If the housing structure

or facilities are damaged, or if the tenants have transferred or subleased the property, they will be fined according to regulations; the fine will be deducted from the refund.

**5. Reducing or waiving payments due to special conditions, and supervising violations of rules.** Old cadres who joined the revolution in its relatively early years; those who have an exceptionally difficult life; and those enjoying the five guarantees may receive various discounts or waivers according to actual conditions. Mortgage payments will be waived for those entitled to special treatment as family members of martyrs; those entitled to subsidies as family members of employees who have died; and those single persons specified by the municipal (or county) civil administration bureaus as living on social welfare. They will continue paying rent as before.

Individuals or work units that refuse to carry out the reform program or that violate the regulations will be disciplined. Serious violations will be punished.

In the year since the housing mortgage program went into effect, we have seen that it works fairly well in terms of social and economic effects. First, it amassed a certain amount of financial strength and hastened housing development and construction. Second, it reduced inequities in housing allocations and restrained housing demand. Third, it simplified procedures, made things convenient for the masses, and helped strengthen housing management. Fourth, it increased public awareness of housing reform, and enhanced the rate of reform. Presently, 44 government agencies, and enterprises and business organizations have mortgaged over 170,000 square meters of brick and concrete housing to more than 4,000 households, and they collect mortgage payments equalling more than 4 million yuan.

### Shanxi Housing Reform Gains Momentum

91CE0415A Taiyuan SHANXI RIBAO in Chinese  
28 Feb 91 p 2

[Unattributed article: "Accelerating Housing System Reform Vigorously and Reliably"]

[Text] Recently, this reporter visited Lu Rizhou [0712 2480 0719], chairman of the province's Organizational Reform Committee, to discuss the issue of housing system reform.

Reporter: I've heard that, starting this year, the province wants to accelerate the pace of reforming the housing system, an issue that is very much related to peoples' immediate interests. Can you comment on this situation?

Lu: Recently, a number of leading comrades from the provincial party committee and the provincial government have indicated that they would like to accelerate the pace of housing reform. I want to emphasize that early reform is better than late reform, and we must pick up the pace a bit this year. In particular, we must focus

on fundamentally solving the problems of families with difficult living conditions, who have living areas of less than 2 square meters [ $m^2$ ] or of between 2 and 4  $m^2$ ; this should be done during the Eighth Five-Year Plan. It is also necessary to further improve urban residents' living conditions. The provincial leadership is determined to push forward with housing reform, both because of the reality of the living conditions of urban residents, and because housing reform possesses a multi-faceted positive function. Looking at urban residents' housing situation, from 1949 until 1988 the province invested a total of 5.268 billion yuan in housing construction and built 44.3 million  $m^2$  of residential space. Adding this to the pre-1949 total of 30.0 million  $m^2$  gives the province a total of 74.3 million  $m^2$ , or an average living space of roughly 7  $m^2$  per person. However, the distribution of living space is not equitable, and contradictions between the supply and demand for housing are still acute. Presently, there are more than 60,000 households with a per capita living space of less than 2  $m^2$ , and there are more than 130,000 households with between 2 and 4  $m^2$  of living space per capita. We must solve these housing problems and improve the housing situation for other citizens. If housing reform is not implemented, and we continue with the same type of irrational housing system, with its low rent and free allocation, there will be no way out. Reforming the housing system is not only the only way to solve urban residents' housing problems, it is also an effective method for controlling irrational housing demand and correcting unhealthy tendencies in housing allocation. Not only can it promote the excellent properties of housing funding, accelerate residential construction, and improve urban living conditions, it can also correctly guide consumption and promote the development of the construction, construction materials, real estate, and other industries. It can also begin to develop a housing market and further develop the national economy. For these reasons, it is necessary to accelerate the pace of housing system reform.

Reporter: In the last several years, what comparatively good experiences has the province had in housing reform work?

Lu: In the last several years, provincial housing reform work has made some progress, and four patterns have emerged. First, rents and subsidies were raised, like in the Huifeng Machinery Factory in Changzhi City, where rents for living area increased to 1.25 yuan/ $m^2$ , and the subsidy coefficient was 24.5 percent of basic wages. Second, public housing was offered for sale. In Yuanping County, for example, more than 80 percent of public housing has been offered for sale. Within the city limits of Shuozhou City and in Zuoyun and Linyi Counties, more than 90 percent of public housing has been offered for sale. Presently, the province has offered some 706,000  $m^2$  of public housing for sale. Third, new housing was allocated through the rental cash deposit method, as at the Taiyuan Aluminum Products Factory and the Taiyuan Chemical Fertilizer Factory. Fourth, funds for housing construction were pooled. For

instance, at many units in the five cities of Taiyuan, Datong, Changzhi, Shuozhou, and Jincheng, and in the two districts of Linfen and Xinzhou, pooled funds are being used to construct 1.46 million m<sup>2</sup> of housing, 1.063 million m<sup>2</sup> of which have already been constructed. This is solving the housing problems of 19,318 city and town residents, and it is having a positive effect on relaxing the tight housing situation and reducing the national burden.

Reporter: What sort of initial tentative ideas and plans are there for properly handling reform of the province's housing system?

Lu: Reform of the housing system involves a wide range of issues, and it is strongly related to policy. It is a complex, systematic process, and it must be vigorous and reliable. Our guiding concept is: In accordance with the requirements of a socialist, planned commodity economy, and starting with reform of the existing, low-rent public housing system, we should gradually implement the commoditization of housing in order to progressively solve the housing problems of city and town residents. The basic goal is to focus on solving the housing problems of families with material difficulties during the Eighth Five-Year Plan; and, during the Ninth Five-Year Plan, improve the living conditions of the majority of citizens, achieve a per capita living area of more than 8 m<sup>2</sup>, and also realize the beneficial properties of housing funds. The basic principle of reform is to reform the low-rent, free-allocation housing system; spend more money on larger housing, less on smaller housing; and establish rational, fund-raising mechanisms for housing construction within state, collective, and individual units. The basic approach is that new housing construction must be done by selling housing first, and later renting it—extending the previous free-allocation system will not be permitted. New and old public housing should be handled using a preferential selling method; for public housing that remains unsold, we should conduct rent reform, and increase rent incrementally. We should work to reach a balance between costs and rents by the end of the Eighth Five-Year Plan, and a balance between commodities and rents by the end of the Ninth Five-Year plan. Before we have reached a balance between costs and rents, in areas where the per capita housing area exceeds standards, we should uniformly increase rents in accordance with costs. We should also continue encouraging pooling funds for housing construction, and establish various types of housing funds.

## FOREIGN TRADE, INVESTMENT

### Beijing Officials Discuss Trade Goals

91CE0424A Beijing GUOJI SHANGBAO in Chinese  
7 Feb 91 p 1

[By reporters Liu Lei (0491 7191) and Cao Shoujiang (2580 1108 3068)]

[Text] On 5 February at the Beijing Municipal Work

Conference on Foreign Economic Trade, Comrade Zhang Ming, chairman of the Municipal Foreign Economic Relations and Trade Commission, delivered a work report entitled "Emancipate Thinking, Inspire Enthusiasm, and Further Expand the Opening to the Outside World." State Councillor and Mayor of Beijing Municipality Chen Xitong, Vice Minister of the Ministry of Foreign Economic Relations and Trade Gu Yongjiang, and Vice Mayor of Beijing Municipality Wu Yi attended the conference and spoke.

In his discussion of the use of foreign capital this year, Comrade Zhang Ming declared that we must further emancipate our thinking, establish and strengthen a consciousness for opening up to the outside world, and work hard to improve the investment climate. With respect to Beijing's current situation, we must firmly implement the general policies of "developing large, medium, and small enterprises simultaneously, while focusing on medium and small enterprises," actively guide the placement of foreign capital, and focus on the development of production enterprises that are promoting technical progress for their industry and which are earning foreign exchange for their exports—thriving enterprises whose direction of development is toward prominence for their key points, excellent efficiency, and rational structure, thereby striving for relatively large increases in the number of projects and in foreign capital. Attempting to break 300, our annual plan approves 250 enterprises with investment from foreign commercial interests and agrees on absorbing \$150 million in foreign capital. Zhang Ming further declared that, judging from the work that has been done in January, fulfilling the above targets of the plan is assured. He also told everyone that, henceforth, the relevant municipal government commissions and offices will form a work group to be headed by Comrade Chen Xitong. The group will go into various establishments and enterprises and into the districts and counties to carry out this work at every level.

In discussing this year's foreign trade work, Comrade Zhang Ming said that 1991 must become a year for deepening reform. We must take the deepening of reform as the core, build foreign trade mechanisms for assuming sole responsibility for profits and losses, implement macroeconomic regulation and control, readjust the product mix for exports, improve the quality of export products, strengthen management and administration, emphasize the tapping of potential from within, and strive for economic efficiency. This will enable foreign trade enterprises to assume sole responsibility for profits and losses and to practice independent management, self-restraint, and self-development. Comrade Zhang Ming declared that, because 1991 will be a difficult year for foreign trade work owing to world instability and certain other factors, it is hoped that everyone will unite as one to surmount these difficulties. Comrades Chen Xitong and Wu Yi repeatedly remarked that, since Beijing is the capital, it definitely must set the example in implementing the various instructions from the party



Central Committee and the State Council, that, focusing on the situation of the country as a whole, the municipal party committee, municipal government, and every industry and trade must support foreign trade, and that everyone must help each other out with their difficulties in order thereby to develop foreign trade work. We are attempting to realize 1.1 billion in foreign trade exports, which would overfulfill the state quota by 10 percent.

Speaking of the import and export of technology and foreign contracts and foreign labor service for 1991, Zhang Ming declared that we must, while seeking benefit and avoiding harm and firmly grasping our opportunities, expand our work of introducing technology. In 1991, we must plan to conclude transactions worth \$100 million. Beijing Municipality's main projects are: the ethylene conveyance system, environmental protection, and technical renovation of old factories. In discussing the introduction of technology, Comrade Gu Yongjiang stressed that we should adjust our thinking to recognize that both imports and exports are mutually beneficial and that we should overcome various difficulties to expand import work during the new year.

Chen Xitong, Gu Yongjiang, and Wu Yi repeatedly stressed at the conference that, during 1991, we definitely must do a better job of utilizing foreign capital and improve the quality of the projects that utilize foreign capital. We must do a good job on project estimates and feasibility studies to avoid various flaws showing up in projects after they are underway. We must approach our work by seeking truth in facts to ensure that we are successful in what we undertake.

### **International Demand for Machinery, Electronics**

91CE0419A Beijing ZHONGGUO JIDIAN BAO  
in Chinese 12 Feb 91 p 3

[Article by Zhang Yuzhen (1728 3768 3791): "International Market Demand for China's Machinery and Electronics Products"]

#### **[Text] I. International Market Demand for Some of China's Machinery and Electronics Products**

1. Printing machinery: Although the Soviet Union publishes and prints much more, i.e., three times more, than China, and is the number one printing and publishing country in the world, its printing machinery manufacturing industry is relatively backward, its printing equipment self-sufficiency rate is only 50 percent, 70 percent of its printing equipment does letterpress printing, and it still has much printing equipment from the 1940's in service. Thus, it has a pressing need for China's printing products.

2. Machine tools: As international market demand for machine tools is going to grow and steadily increase in momentum for some time to come, there are bright prospects for increasing machine tool exports.

—The Soviet Union: The Soviet Union is now the world's number one machine tools consumer. Although it manufactures many machine tools, it imports many also, with 30-44 percent of its machine tools consumption depending on exports, and its machine tools import turnover being about 5.25 times its machine tools export turnover. As its domestic production cannot meet its needs, it imports machine tools, mostly milling, grinding, boring, drilling, broaching, and punching machinery. Thus, there are bright prospects for breaking China's machine tools into the Soviet market.

—France: France is the biggest importer of machine tools among the 12 EC nations, having a machine tools demand of \$600 million a year, which is growing at an average rate of 29 percent a year. It imports mostly heavy-duty and multifunctional machine tools.

—England: As much of its industrial production depends on imported machine tools, England is a big importer of machine tools, and its machine tool imports will continue to increase over the next two or three years. Its major machine tool import varieties are lathes and boring, grinding, honing, cutting, buffing, drilling, and punching machinery.

—Italy, Switzerland, and Yugoslavia: Countries such as these are constantly importing more machine tools.

3. Construction machinery: China's construction machinery has broad international markets, and will soon become a key part of our machinery and electronics product exports.

There is a big demand for construction machinery on the international market. For instance, countries, such as the United States and Japan, are adjusting their industrial structures, the Japanese yen is rising in value, various Western European countries are going in for large-scale economic and urban construction, and countries, such as Thailand and Malaysia, are vigorously reinforcing their infrastructures to improve their investment climates, all of which are very favorable to China's construction machinery exports.

#### **II. International Market Potential for China's Machinery and Electronics Products**

In order to break into the international market, China must first make great efforts in the next few years to export complete sets of equipment, numerically controlled machine tools, aircraft and aircraft parts, automobiles and automobile parts, and computer software, which are technology-intensive and have high-added value. Then, we must optimize our export product mix.

1. We will consolidate our Hong Kong and Southeast Asian markets.

Southeast Asian countries, such as Indonesia, the Philippines, Thailand, and Malaysia, have been steadily investing more and more in recent years. Moreover,



these countries have relatively backward machine manufacturing industries, rely on imports for most of their machine tools and other manufacturing machinery, are not self-sufficient in machine parts and fittings, and have obvious inadequate machine assembly skills. For instance, as Singapore has little land area, a small population, and no government support for development of its machine manufacturing industry, it has to import all types of machinery.

Although China's machinery and electronics product exports to Thailand have now topped \$100 million a year in value, they account for only 1 percent of Thailand's over \$10 billion annual machinery and electronics equipment imports in recent years, which gives us a great potential market.

These and other Southeast Asian countries are going to import mostly the following machinery and electronics products in coming years: spinning and weaving, paper-making, plastics; farm, food processing, printing, and woodworking machinery; bearings, condensers, electric motors, and electric fans; and all types of instruments and meters, switches, and tools.

2. We will break into U.S. and Western European markets.

The U.S. has a large machinery and electronics product market capacity, and is a large exporter and importer, with its annual machine tools imports accounting for 10-20 percent of the world's machine tools imports, and its annual construction machinery imports accounting for 11 percent of the world's construction machinery imports. As the yen has been rising in value and construction machinery prices in Japan have risen in recent years, which accounts for 40 percent of U.S. construction machinery imports, U.S. businessmen have begun to feel that it is unprofitable or barely profitable to import construction machinery from Japan, and are impatiently seeking new suppliers. This is presenting China with an excellent opportunity to break into the U.S. construction machinery market. In addition, the U.S. also has a great demand for goods, such as numerically controlled machine tools and instruments.

Western Europe is one of China's key trading partners. As it is highly developed economically and technologically, it has a demand for high-grade machinery and electronics products.

## ECONOMIC ZONES

### Shenzhen Stock Market Needs More Elastic Tax Measures

91CE0362B Shenzhen SHENZHEN TEQU BAO  
in Chinese 11 Feb 91 p 7

[Article by Zhong Huipo (6988 1920 0980): "More Elastic Taxation Measures Sought for Shenzhen's Stock Market"]

[Text] In the world today, there are no countries or areas with stock markets that do not collect taxes on stock transactions. As commercial investments, stock transactions are under governments' protection and administration. It is right and proper to pay taxes to governments on stock transactions. However, stock transactions are not the same as other commodity transactions. In stock trading, all activities, such as the shifting role between buying and selling, capital inflows and outflows, and returns and risks, take place very swiftly whenever there are signs of change. So taxation policies must serve to protect as well as promote developing stock activities. Taxation measures must be convenient to operate, as well as to calculate and collect. Taxes collected on stock trades are called securities trading taxes or stamp taxes. If based on the prices of stocks traded, stamp taxes are easy to collect and there is little resistance. If the tax is collected based on the return segment of the stock trade, it will not be conducive to developing stock activity. This is because: First, it is not easy to calculate and appraise the tax base, and second, this method involves complicated techniques and meets with great resistance. Therefore, at present, most countries and areas collect stamp taxes from the transaction segment of stock trades.

Shenzhen's stock market only has a three-year history. The municipal government only collects stamp taxes from the transaction segment of stock trades. This is in line with stock market development in Shenzhen and with the tax administration level there. On 1 July 1990, Shenzhen started collecting stamp taxes from stock sellers at the rate of 0.6 percent. On 26 November, Shenzhen started collecting the same amount of taxes from buyers. To a certain extent, this policy has cooled the overheated stock market and contained speculation.

Due to various factors, Shenzhen's stock market seemed to lose its momentum beginning in mid-December 1990. At first, it only fluctuated around the asking price. Later on it went heavily down at the rate of 0.5 percent each day. By the end of January this year, the average prices of five corporations' stocks had fallen nearly 30 percent in the market, very close to what the international stock market calls "a stock market disaster."

The stock market is the window on economic performance. The stock market should be rescued from its disaster. In the jargon of international financial circles, "there is no central bank that does not intervene when necessary and there are few administrative authorities that do not get involved in the stock market when a crisis occurs." In Shenzhen, departments concerned took some rescue measures when the stock market continued to decline. However these measures had very little effect. The stock market did not start to improve until just recently. It is still too early to say that the stock market disaster has passed. In order to restore the vigor of the stock market, we think that it is necessary to face reality, reevaluate past policies, and resolutely adopt new measures. Of course, sensitive issues such as taxation policies are certainly included.

In order to help Shenzhen's stock market, which is still in the growing process, it is necessary to adopt elastic taxation policies in order to adjust and cultivate the stock market. When the stock market is at low tide, we may reduce the stamp tax rate so as to reduce costs and stimulate investment. Specifically speaking, there are three reasons for doing this.

First, presently the cost of trading stocks is on the high side, which has blocked normal stock circulation. According to statistics from over 20 countries and areas in which stock trading is well developed, the stamp tax rate is around 0.6 percent. For example, in Hong Kong and Singapore, the stamp tax rate is 0.3 percent, and it is collected from both buyers and sellers. Japan's stamp tax rate is 0.45 percent, collected from sellers. Professor Miller, winner of the 1990 Nobel Prize in economics, criticized Taiwan last March for raising its stamp tax rate from 0.15 percent to 0.6 percent. He said, "Controlling stock speculation and manipulation by imposing heavy, punitive stamp taxes is not without its cost. It will greatly reduce the stock market's liquidity. Meanwhile, it will become an obstacle to attracting new investment." (As expected, Taiwan has experienced a big stock disaster which has lasted for eight consecutive months.) Looking back at Shenzhen's stock market, the present stamp tax rate on buyers and sellers combined is 1.2 percent. In addition, Shenzhen also charges buyers and sellers a 1 percent trading fee. In international practice, the trading fee is generally at the rate of 0.6 percent: it is 0.5 percent in Hong Kong and 0.285 percent in Taiwan. In Shenzhen's stock market, the cost rate of each trade runs as high as 2.2 percent. Based on this rate, if a fixed amount of capital is traded 45 times, the investor must pay a trading cost equal to the amount of the original investment. Investing in stock itself is already a big risk. Now the legal cost for such investments is also high. People's enthusiasm for investing will surely be hurt.

Second, stamp taxes have little impact on climbing stock markets, but they have a large impact on falling ones. The practice has proved that it is a misunderstanding to use high tax rates to control high stock prices. Take Taiwan's stock market as an example: In January 1990 authorities raised stamp taxes by 300 percent, however short-term speculation still increased. The annual trading volume increased from 7.9 trillion yuan (New Taiwan dollars) in the previous year to 25.4 trillion yuan. It is evident that even though the tax rate is higher, as long as the difference between the buying and selling prices is greater than the transaction cost, there will still be large amounts of short-term behavior. However, when the stock market is at low tide and there is no profit to be made, Shenzhen's 2.2-percent transaction cost will be a big burden and will have the effect of closing down the market. In order to eliminate this effect, we must reduce the current stamp tax rate, as well as trading fees.

Third, adopting elastic taxation measures is a necessary means for managing the stock market. Since we use taxation as a tool to adjust the stock market, we should raise tax rates to control the market when stock prices

climb and reduce tax rates to encourage the market when it is depressed. Since the stock market opened in Taiwan in December 1955, stamp taxes have been temporarily stopped four times, and there have been many tax rate adjustments in accordance with the stock market's ups and downs. Hong Kong's stock market has been very stable. However, recently Lee Guo-wei [0448 0948 0251], chairman of the Hong Kong Stock Exchange, pointed out that "as global stock trading is maturing, the competition to reduce and exempt trading costs is becoming more severe. The present stamp taxes have already restricted Hong Kong's stock market to providing services that are in keeping with costs and benefits. I hope stamp taxes, which contribute the most to stock trading costs, can be reduced and exempted." Thus it is evident that whether the tax rate can be constantly adjusted according to stock market trends is one indication and measure of the level of stock market management.

## LABOR

### Henan's 1990 Economic Performances Statistics

91CE0387A Zhengzhou HENAN RIBAO in Chinese  
13 Feb 91 pp 1, 2

[Article by Cao Xiaohong (2580 1420 4767): "Provincial Statistics Bureau Publishes Zhengzhou Province's Economic Development Situation for 1990"]

[Text] On the morning of 9 February, the provincial statistics bureau published Zhengzhou Province's economic development situation.

Based on preliminary estimates, the province's gross national product in 1990 was 88.4 billion yuan, and its national income was 73.6 billion yuan. When calculated according to constant prices (which will be used throughout this article), this represented increases of about 5 percent and 4 percent respectively over 1989 levels.

Agriculture had a bumper harvest. The province's gross value of agricultural output in 1990 was estimated at 48.1 billion yuan, an increase of 6.9 percent over 1989, when the growth rate had already been high. The total volume of food production reached a record high of 33.04 million tons, a 4.9-percent increase over 1989. Total cotton production was 676,000 tons (13.52 million dan), an increase of 28.2 percent. Total oil crop production was 1.523 million tons, an increase of 28.5 percent. Although the total production of flue-cured tobacco fell due to a decrease in the area under cultivation, its yield per mu and its quality improved. Animal husbandry and aquatic breeding continued experiencing stable growth. Draught livestock increased again based on 11 consecutive years of steady growth. By the end of 1990, there were 11.16 million head of livestock. There were 17.5 million pigs on hand, 4.2 percent more than in 1989. There were 11.82 million pigs slaughtered, an increase of

11.40 percent. Total meat production was 1.24 million tons, an increase of 11.10 percent over 1989.

Industrial production gradually picked up. Due to changes in the market, industrial production slowed in the first four months of 1990. The negative growth was reversed in May. Total growth in the first half of the year was 0.5 percent. The pace of recovery picked up in the third quarter, and the fourth quarter presented a high-growth scenario. For the year overall, industries above the village level generated a gross output value of 76.1 billion yuan, 5.4 percent higher than in 1989. If industries at the village level and below are included, the gross value of industrial output exceeded 100 billion yuan for the first time: it is estimated at 103.3 billion yuan, an increase of 6.9 percent. Light and heavy industries grew at roughly the same pace. Basic industries, such as energy and major raw materials, maintained their momentum of stable growth; raw coal, electricity production, steel, soda ash, and caustic soda all saw large growth compared with 1989. An eminent growth trend was found in industries that support the agricultural sector. The growth in the chemical fertilizer and small-sized tractor industries was over 5 percent. In order to adapt to market demand, the light and textile industries adjusted product structures, developed new products, and achieved certain progress. The production of marketable products continued to grow.

Investment demand is constantly improving. In the first half of 1990, Zhengzhou province's investment in fixed assets remained in a situation of negative growth. Local projects were cut by a large amount, 22 percent. Beginning in July, the negative growth of fixed-asset investment was reversed. Based on preliminary estimates, in 1990 the province's fixed-asset investment of the whole society reached 20.5 billion yuan, a 9.5-percent increase over 1989. Of this amount, capital construction by units owned by the whole people equalled 5.3 billion yuan, a decrease of 1.9 percent; improvements and renovations equalled 3.2 billion yuan, an increase of 6.2 percent. Under the guidance of the state's slanting policy, new progress was made in adjusting investment structures, and investments in agriculture, energy, transportation, cultural and educational work, and health care were strengthened. The proportion of investments in ordinary processed industries to total investment dropped to a certain extent. Among units owned by the whole people, investments in agriculture, forestry, animal husbandry, fishery, and water resources reached 568 million yuan for the year, a 67.5-percent increase over the previous year. Their share of total investment rose from 3.4 percent up to 5.4 percent. Investments in the energy industry totaled 4.437 billion yuan, a 5.2-percent increase over 1989. The proportion of electric power and coal industry investment to total investment increased by 1.9 and 1.1 percentage points respectively. A total of 14 key projects, including the Zhongyuan Chemical Fertilizer Plant, Anyang Kinescope Plant, Xingxiang Power Plant, and the Luoyang Glass Plant were constructed and put into production or trial production

ahead of schedule. A large amount of production capacity was added, including primarily 400,000 tons of synthetic ammonia, 920,000 tons of exploited oil, 800,000 heavy-weight boxes of plate glass, 4.6 million sets of color kinescopes, and electrical generators with a production capacity of 350,000 kilowatts.

Consumption demand gradually rebounded. The salaries of the province's employees in 1990 totalled 12.2 billion yuan, 11.8 percent higher than in 1989. Urban and township residents had a per capita income for living expenses of 1,153 yuan, an increase of 13.6 percent, or an increase of more than 10 percent after inflation is taken into account. Peasants' incomes continued to grow: they had an average per capital net income of 482 yuan (527 yuan at current prices), an increase of 5.5 percent, or 25 yuan, over 1989. Organizational consumption also recovered. The retail value of consumer goods sold to social organizations was 2.9 billion yuan, a 3.3-percent increase over 1989.

The market recovered gradually. In the first half of 1990, the province's retail market operated in a sluggish manner. There was an abundant supply of goods, as well as an increase in the number of consumers holding money for purchases. By the end of the first half of the year, the total retail value of social commodities dropped by 5 percent compared with the same period in 1989. With the rebound in social demand, market sales improved month after month. Beginning in July, the monthly growth rate changed from negative to positive. The total retail value of social commodities for the year was 39.6 billion yuan, a 1.1-percent increase over 1989. Of this, sales of urban market commodities rebounded more quickly, at a rate of 5.6 percent. The situation in the rural market also improved in the fourth quarter.

Foreign exports continued expanding. Based on preliminary statistics, the total volume of exports for the province was \$870 million, a 5.9-percent increase over 1989. Industrial processed goods accounted for an eminently higher proportion of exported goods than in previous years.

In 1990 the province signed 53 new contractual projects utilizing foreign capital. The contracted foreign capital amounted to \$21.94 million. Of this, contracts for direct foreign investment increased rather a lot: there were 50 new contracts—14 more than the previous year—worth \$21.07 million, an increase of 25.3 percent over 1989. By the end of 1990, the province had a total of 88 partially or wholly foreign-owned enterprises open, 13 more than in 1989.

The development of tourism gradually resumed. In 1990 the province received a total of 105,000 foreign guests, overseas Chinese, and compatriots from Hong Kong, Macao, and Taiwan. This was 35,000 more than in 1989. The province earned \$8.71 million in foreign exchange from tourism, an increase of 71 percent.

Price levels stabilized and the economic climate continued to improve. The province's market price level

clearly dropped in 1990, after huge hikes in the previous two years. Overall retail price levels in 1990 fell by 0.3 percent compared with 1989.

The number of enterprises that had reduced or halted production decreased. Thanks to the efforts of governments at various levels and to the economic recovery, by the end of the year the number of enterprises that had reduced or halted production had fallen greatly compared with the beginning of the year. A group of collective enterprises, in particular, resumed operation quickly. Achievements were also made in job placement work. In 1990 a total of 220,000 people were placed in jobs; 32.4 percent were placed with units owned by the whole people and 54 percent were placed with urban and township collective units.

The major problems with the province's economic activities in 1990 were: First, industrial processed goods were seriously overstocked. By the end of the year, the amount of funds tied up in industrial processed goods within the province's budget was as high as 5.7 billion yuan, a 42.9-percent increase over the beginning of the year. At year's end, the social commercial inventory equalled 19.60 billion yuan, an increase of 16 percent. In order to reverse the trend of the economic slump, banks lowered the interest rate on savings deposits twice and increased loans on a rather large scale. By year's end the amount of loans in the banking system alone had climbed to 63.7 billion yuan, an increase of 12.4 billion yuan over the beginning of the year. Of this, new, increased industrial loans equalled 3.8 billion yuan and commercial loans equalled 5.2 billion yuan. However, the benefit of the loans was marginal. A substantial portion of the loans was tied up in newly added inventories and in accounts receivable for delivered commodities. The funds settled out because short-term loans were used for long-term purposes. Therefore, enterprises still face a shortage of funds. Second, enterprises had poor economic efficiency. Realized profits and taxes of the province's budgeted industries dropped by 16.4 percent compared with the previous year; of this, realized profits fell 34.4 percent. The cost of products in constant prices increased by 9.8 percent. Enterprise losses reached 390 million yuan, a 2.6-fold increase compared with 1989. Economic efficiency in the commercial sector was not satisfactory, either. Affected by the poor efficiency of enterprises, there were still rather many fiscal difficulties and the flow of fiscal revenues was rather intermittent, impeding the effective materialization of macroeconomic regulation and control. Third, the rural market recovered slowly. Zhengzhou Province is a large, agricultural province, and the rural economy has an important impact on overall market activities. However, because the prices of agricultural products have not been rationalized, some farm products are difficult to market. The resulting drop in prices of farm products slowed the growth of peasants' income to a certain extent. In addition, the rural planting structure was less optimal, and the collective economies were still fragile. Therefore, the rural market did not have sufficient start-up power, and had an adverse impact on the province's economy.

## Report on Improvements in Employment, Wages

91CE0427A Beijing ZHONGGUO TONGJI XINXI  
BAO in Chinese 21 Feb 91 p 1

[Article by Wu Jun (0702 6511), head of the State Statistical Bureau's Social Statistical Department: "Achievements of the Work on Employment and Wages, and Existing Contradictions Awaiting Urgent Solutions"]

[Text] In 1990, the State Council and governments at all levels emphasized the work on employment and wages, and paid attention to raising employees' wage levels. As a result, a rather large number of people were placed in jobs in cities and towns, and there was a rather large increase in employees' average real wages. Thus there were prominent achievements in the work on employment and wages, and social stability was promoted.

### Major Achievements in Employment

1. In spite of the slow-down in economic development and the weakening of enterprises' capacity to absorb labor, a great number of people were still placed in jobs. In 1990, the development of China's economy slowed, yet in cities and towns there were still many people—estimated at around 10.5 million—in need of job placement. Governments at all levels adopted various effective measures to expand the avenues to employment so as properly place people awaiting jobs. According to preliminary statistics, in 1990 over 4 million people awaiting jobs in cities and towns were placed. Also, through unified assignment, nearly 2 million graduates and veterans of technical colleges and schools were placed. By the end of 1990, the number of people employed nationwide reached 139.89 million, an increase of 2.47 million over the previous year. The number of people placed in jobs was more than 1 million higher than the number placed in 1989. The percentage of people awaiting jobs in cities and towns decreased slightly compared to the previous year.

2. The number of people who changed their status from "agricultural to nonagricultural" was effectively controlled. In previous few years, the number of people who changed their status from "agricultural to nonagricultural" stayed at over 4 million. According to preliminary statistics, in 1990 the number of such people was 3.2 million; this was a decrease of 1 million compared to 1990, when the number was 4.21 million.

3. The direction of the movement of the labor force became more rational. According to estimates, in 1990 the proportion of workers in primary industries decreased by about 0.2 percentage points, while the proportion of workers in secondary and tertiary industries both increased by 0.1 percentage points.

### Employees' Wages Increased Markedly

In 1990, in spite of a rather difficult fiscal situation and a less-than-ideal situation of economic efficiency, the state still carried out an overall adjustment of employee

wages, leading to a rather marked increase in employees' average real wages. According to bulletin statistics, in 1990 total employee wages reached 296 billion yuan, an increase of 34.15 billion yuan, or 13 percent, over 1989. The average employee wage reached 2,150 yuan, representing an increase of 11 percent, or a real increase of 9.7 percent after adjusting for inflation.

The features of the 1990 employee-wage movements were:

1. Wages of employees in joint ventures and publicly owned units increased quickly, while wages of employees in collectively owned units in cities and towns increased slowly. In 1990 the total wages of employees in joint ventures and foreign-invested units increased by 41.6 percent; the total wages of employees in publicly owned units increased by 13.7 percent; and the total wages of employees in collectively owned units in cities and towns increased by 10.9 percent.

2. Wages of employees in enterprise units increased quickly, while wages of employees in government or public institutions increased slowly. Because the wages of enterprise employees are over 50 percent higher than those of employees in government or public institutions, with concurrent promotion the average wage of enterprise employees increased by 12.2 percent, while the average wage of employees at government or public institutions increased by 11.5 percent. Thus this further enlarged the gap between the average wages of enterprise employees and employees of government or public institutions.

3. Fixed wages (hourly wages, piece wages, etc.) increased quickly, while the relatively flexible part of wages (bonuses, overtime pay, etc.) increased slowly. There were marked changes in wage structures, as bonuses accounted for a decreasing proportion of wages compared with the previous year. In 1990 units gave out bonuses totalling 54 billion yuan, an increase of only 5 percent over 1989.

#### **Major Contradictions Present in Employment and Wages in 1990**

1. There was a contradiction between employment and efficiency. In 1990 there were great achievements in job placement work, and the number of those employed increased by over 2 million. However, some units failed to sufficiently consider their production and work needs when increasing the number of employees. As a result some units increased the number of employees despite a lack of development in production and insufficient production tasks. Consequently, in 1990 there was a rather prominent contradiction between employment and efficiency.

2. There was a contradiction between increases in employees' wages and economic efficiency. According to China's present wage-adjustment method, it is difficult

to synchronize wage increases with the economic growth rate each year. However, in 1990 the contrast between them was striking.

3. The contract labor system showed signs of "becoming fixed."

#### **1991's Employment and Wages Work Faces Heavy Tasks and a Long Road**

1. We should comprehensively plan the urban and rural labor forces. According to estimates based on relevant data, there is a surplus rural labor force of 150 million people, equal to the total number of people employed in cities and towns. Regarding transferring surplus rural labor, we should first continue focusing on having local areas absorb the surplus. This could be done through such means as increasing the rate of intensive, expansive agricultural development; helping and guiding township enterprises in their healthy development; and further enhancing construction of cities and towns. The second method would be transferring the surplus to cities and towns.

2. We should emphasize improving the quality of the labor force. In terms of education levels, presently rural laborers only have an average of about 6 years of schooling, while employees in publicly owned industrial and construction units in cities and towns have an average of around 10 years of schooling. The state and society should provide certain funding inputs in order to establish various educational institutions and improve the quality of the labor force.

3. The increase in employees' wages must correspond to economic growth and improvements in economic efficiency. Therefore, we hereby suggest that the scope of wage increases for industrial departments be determined according to the targeted rate of economic growth and targeted improvements in economic efficiency. Wage increases for employees in other trades and departments should be determined according to certain parameters.

4. We should speed up the steps for reforming the employment, wage, and social security systems. With regard to reforming the employment system, it is necessary to conscientiously review existing problems in the contract labor system, and to actively implement the contract labor system. In this way we can create conditions for the rational flow of employees, and can thereby accommodate adjustments to the industrial and enterprise structures. This will improve the optimal labor composition within enterprises.

#### **Solving Major Labor Realignment Problems**

91CE0482A Shanghai SHANGHAI GONGYE JINGJI  
BAO in Chinese 22 Feb 91 p 1

[By Tao Youzhi (7118 0645 0037) and Zhang Guoxun (1728 0948 8113)]

[Text] Strengthening labor management and popularizing a system of fixed production quotas greatly

increase labor productivity. It used to be that it took five men to do a four-man job. Now we only need three men to do a four-man job. This has inevitably led to problems with respect to realigning the enterprise work force. In the past, realigning the work force was called "optimization." We think that using that term easily gives the impression that all those "not included" are not optimal and increases the pressures on them. This does not help strengthen labor productivity. Therefore, using the expression "rational alignment of labor" is better.

After enterprises have undergone a rational alignment of labor, the original labor force will be in excess. Where are we to place these workers? If the enterprises themselves must assimilate them, then, this in no way helps increase labor productivity of the whole work force or economic efficiency. In addition, it will also have a negative effect on the production of production workers. We cannot use this method.

If we are to guarantee implementation of labor management and increased production efficiency, the excess work force must be taken in by society. This is why we have to face up to the three difficult issues of "how to understand the status of workers as masters," "the likelihood of social repercussions," and "the lack of financial resources for social insurance." It is these three issues which are hindering the progress of this work. We would summarize the resolution of these issues as follows.

1. The status of workers as masters not only pertains to enterprises. It should pertain to overall interests with respect to their being their own masters and obtaining preference in employment.

In discussing the rational alignment of labor, some people ask how can workers be dismissed if they are the masters of the enterprise? We think this a narrow view.

Since workers are the masters of the enterprise, they naturally have a common responsibility in running it properly. A part of this responsibility is to ensure that there is a rational alignment of labor so as to increase labor productivity. This should not be the task of the factory director or several people in the enterprise. It should be the common responsibility of the enterprise workers and staff personnel. Workers and staff personnel who have fixed jobs in an enterprise can sign group agreements or "worker and staff personnel agreements." These must take into consideration the occurrence of excess work force with which enterprises are faced. By consulting among themselves, they can cut back on part of the work force by finding other work for them. Standards which they themselves formulate and execute, in effect, give expression to their being the masters.

There are two circumstances with respect to preferential labor employment. First, when national enterprises recruit workers, they should, when all other conditions are equal, give preference to hiring those who have been dismissed from other national enterprises. Another circumstance arises when an enterprise expands the scale of

its production and has to increase its work force. It should, when the same work and same requirements prevail, give preference to hiring its own workers and staff personnel who were originally dismissed. The status of workers as masters does not just prevail in one certain enterprise. It should prevail in all national enterprises.

2. By conducting a few experiments, gradually opening up, doing careful work, and planning comprehensively, we can avoid causing large social repercussions. A large excess work force suddenly imposed on society could, if appropriate measures are not taken, cause social repercussions. This is something to which we must pay serious attention. However, if we do our work well by shifting the excess work force into society gradually, then these large social repercussion will not necessarily occur. This means doing careful ideological work with those personnel being dismissed and with their families and doing "comprehensive planning," for example, by taking the initiative to make recommendations for some of the employees. Young employees could be allowed to pursue studies or take technical training. Employees due to retire could be given in-house retirement (when they reached the proper age, formal retirement procedures could be carried out). This would avoid causing resentment on the part of the retired employees.

3. Enterprises wanting to "dismiss workers and transmit their salaries" undertake a substantial financial commitment and expect government and social insurance agencies to be established at an early date.

The reason enterprises have been unable to effect a rational alignment of labor is because the excess work force cannot be shifted to society. Society cannot take them because unemployment insurance agencies still have not been set up and perfected. Unemployment insurance agencies have been delayed in their establishment because government financial resources are insufficient. How are we to break this vicious cycle? There is an approach that we should try.

"Dismissing the workers and transmitting their salaries" means that, during a period (supposedly for one year) in which rational alignment of labor is beginning to be carried out and enterprises are shifting their excess work force to society, the wages of these workers would be transmitted to social insurance agencies. These wages could be calculated according to the enterprise's average wage or according to the actual wages of the workers who are shifted (included would be the basic wage, plus the enterprise efficiency wage and the subsidy the enterprise assumes for nonstaple foods; the various bonuses and allowances would not be included). The basic purpose is to prevent the standard of living of workers and staff personnel who have been dismissed from declining too much during the initial period. From what we understand, many enterprises are willing to assume this financial commitment. This is because, while the enterprises do assume responsibility for their wages, they save on bonuses and other expenses. They can use this money on

the workers and staff personnel who remain and definitely be able to greatly increase their enthusiasm for production.

Under the present circumstances, "dismissing workers and transmitting their salaries" might yet be accepted as a means of promoting social unemployment insurance organizations. However, we cannot consider it a permanent means. Otherwise, it could, after a certain time, hinder the rational alignment of labor production. The basic means of resolving the source of funds for social unemployment insurance agencies should be implementation of a funds system for unemployment relief.

## POPULATION

### Population Figures for Tibet Released

OW2603153091 Beijing XINHUA in English  
1515 GMT 26 Mar 91

["Tibet Backgrounder: Tibet's Population Today and Yesterday"—XINHUA headline]

[Text] Beijing, March 26 (XINHUA)—Since the peaceful liberation of Tibet in 1951 the Tibetan population has more than doubled to 2.19 million people.

Information released by the State Nationalities Affairs Commission reveals that Tibet became an integral part of China during the Yuan Dynasty (1206-1368). In 1334, the emperor of the Yuan Dynasty sent officials to Tibet to assist local officials in conducting a population census. The results of the census showed that at that time Tibet had a population of about one million people.

Tibetan annals compiled during the Qing Dynasty (1644-1911), put the Tibetan population in 1737 at between 938,651 and 1,002,746 people. The figure indicates that the population of Tibet registered only a slight increase from the year 1334 to 1737.

Following the peaceful liberation of Tibet, a 1952 local government report to the central government showed that Tibet had a population of nearly 1.15 million people.

The national population census in 1964 revealed that the population had increased to over 1.25 million, excluding the 600,000 to 700,000 Tibetans who fled to other countries following the 1959 rebellion.

The third national census conducted in 1982 found that the Tibetan population had reached 1,892,000, up 50 percent over the 1964 figure.

The results of the fourth national census in July 1990, revealed a further increase in the Tibetan population to 2,196,010. Compared to the 1964 census figures, the population had increased by more than 940,000 people during the 26-year period.

The dramatic increase in the population of Tibet is due in part to the special population policy adopted by the

central government. Under the policy the central government does not require farmers and herdsmen in Tibet to participate in family planning.

Some people say that the dramatic increase in Tibet's population is due to immigration of the Han nationality, and that people of the Han nationality in Tibet outnumber that of Tibetans. However, the results of the population census show that this belief has no basis whatsoever. The census conducted in 1964 revealed that 1,209,000 or 96.63 percent of Tibet's total population were Tibetans. People of the Han nationality, as well as other ethnic nationalities accounted for only 3.37 percent of the total.

The results of the fourth national population census conducted in 1990 indicated that the Tibetan population was over 2,191,010, of which over 2,096,300 or 95.46 percent of the total were Tibetans.

The State Nationalities Affairs Commission reports that the government dispatches people from the interior to Tibet in rotation, and that they are sent to the region to assist in construction efforts.

### Collective Economy, Population Control Linked

91CE0428A Beijing ZHONGGUO RENKOU BAO  
in Chinese 22 Feb 91 p 3

[Article by Yang Guoqiang (2254 0948 1730): "Development of the Collective Economy is an Important Condition for Effectively Controlling Population Growth"]

[Text] In the countryside today, at the same time we subjectively try to effectively control the population, we should develop the economy, chiefly the rural collective economy. Only in this way is it possible to effectively control the rural population, which accounts for 80 percent of China's population. In other words, under the advantageous conditions of the socialist system, we should actively develop social productive forces so as to change people's views on reproduction and people's reproductive behaviors. This article tries to analyze and discuss this question using the example of Damagu Village, Huanghua Municipality, Hebei Province.

Damagu Village is situated in the northwest corner of Huanghua Municipality, in Hebei Province. It is linked to the west with Qin and Cang Counties, in Cangzhou Municipality, and to the north with Tianjin Municipality. In 1989 there were 175 households in the village, with a total population of 678. There were 126 women of child-bearing age; in 1989 there were 5 births, representing a birth rate of 7.36 per thousand, and six deaths. Thus the village had a negative population growth for the first time since the founding of the People's Republic of China. The rates of planned births and of one-child certificates awarded were both 100 percent for six consecutive years. The village's economic situation was as follows: In 1989 the gross value of industrial and agricultural output was 14.05 million yuan, per capita



income was 1,950 yuan, and per capita food grain provisions equalled 1,560 jin. Profits generated that year amounted to 1.89 million yuan, with 855,000 yuan in profits and taxes turned over to the state. The level of per capita consumption reached 1,100 yuan. Presently, collective fixed assets equal 15.33 million yuan. The prefecture and the province named the village the "civilization village" and the "star village" respectively. One could say that the village was a star of perseverance in developing the collective economy on the plains of north China. Their clear effectiveness in handling the two types of production testifies to the correctness of the Marxist argument that "the production of material goods plays a decisive role in the production of human beings themselves."

With the development of the collective economy, there is a material base providing the prerequisite conditions for raising people's living standards, developing social welfare projects, improving the quality of the population, and enhancing the building of social, public facilities. Next we will present the village's actual situations in these areas.

1. The development of the collective economy closely linked families' economic and reproductive behaviors. Fifteen years ago, the village suffered from transportation difficulties, weak industrial and sideline production bases, and an undiversified, farming economic structure; its annual per capita income was only over 100 yuan. To shake off poverty, the masses tried once to develop the economy by increasing the population and thus expanding the labor force. However, the economy did not develop quickly, while a population burden was created. In 1975, the party branch led the masses to establish a radio circuit-plate factory with raised funds, creating a preliminary base for developing the collective economy. After the Third Plenum of the 11th CPC Central Committee, reforms of the rural economic system brought even more life and vitality to the village, which climbed one step higher each year. In 1980 the village's gross value of industrial and agricultural output had reached 482,000 yuan, per capita income was 418 yuan, per capita food grain provisions were over 1,000 jin, and the collective economy had nearly 400,000 yuan in fixed assets. By then most villages in north China had embarked on the road of developing the rural economy through the household contract responsibility system with remuneration linked to output or through the system of giving major responsibility to individual peasant households. While managing agricultural production, they actively developed industrial and sideline production. In the process of specialized contracting, the collective economy did not disintegrate, and the end-of-year accounting was conducted on the village as a whole. The 1985 gross value of industrial and agricultural output was 3.627 million yuan, an increase of 235 percent over 1983; per capita income was 1,583 yuan; per capita food grain provision was more than 1,000 jin, and has been ever since; and the per capita consumption

level reached 1,020 yuan. By then, the people of Damagu Village had completely shaken off poverty and embarked on the road to prosperity.

As Damagu Village worked to develop and strengthen the rural collective economy, they adhered to the method of equal work, equal pay for men and women. This freed the potential of the labor force, resulting in fundamental changes in the functions of the family: it went from having purely living and reproductive functions to having economic and productive functions. Since 1975, there have been only two years in which there was an unplanned birth in the village. The masses said, with profound understanding, "Planned birth is good. Since specialized contracting went into effect, our minds have been totally on production. Without the burden of many children, it is no longer necessary to always work in the fields, at home, or in the factory."

2. The development of the collective economy led to the rather quick development of public welfare facilities. Projects for supporting the elderly and educating the young were realized at the village level, thus expediting the renewal of the masses' views on reproduction. In 1983, the village built one office building and one guest house with a club, library, and movie-television room attached. It constructed three electricity transformer-transmission stations (one each for industry, agriculture, and daily life). In 1986 an asphalt road linking the village to the main highways was constructed, and the village bought four vehicles to transport passengers to and from Tianjin daily. At the same time, the village equipped each household with a Beijing color television set and organized and financed a peasant amateur orchestra and a martial arts team. The establishment of these facilities greatly enriched the masses' after-work, cultural life. Since the masses were provided with places of learning and amusement, they have broadened their horizons, and no longer think only about the fortune of one family, but about the development of the state and the collective.

Since there was a base for the collective economy and money at the disposal of the masses, the village also placed on its agenda support for the elderly and education for the very young. In 1985, the village implemented a regulation stipulating that the retirement system would cover men 70 years of age or older and women 55 years or older. The village would no longer assign them any work, but would provide each with an annual living allowance equal to 50 percent of the average living standard of that year; the person involved would designate a son or daughter to be responsible for support. In 1984, two women with some education were selected by the village to set up a kindergarten for nearly 30 preschoolers, thereby providing free, early education for the children. Meanwhile, half-rate medical care was implemented for the masses.

The rapid development of public facilities and the establishment of collective welfare projects reduced the masses' burden of daily living and eliminated their



worries about future support, while expediting the renewal of the masses's views on reproduction. The masses in the village would happily tell everyone. "Our life is not inferior to urban life; this has been brought about by the socialist system. We should leap out of the small circle and all be qualified citizens of socialism, and completely give up old views on reproduction."

3. The development of the collective economy led to the continued reduction in family size and ended the practice of early marriage and early child-bearing. Due to the development of public facilities and social welfare projects, the village achieved voluntary implementation of family planning. Since 1984, married women of child-bearing age have voluntarily gone to the station for general pregnancy checkups and voluntarily used various contraceptive measures.

Since 1984, 45 young couples in the village have married. Of these, 39 couples have given birth to one child, and all have been awarded one-child certificates. In 1989 there were 98 nuclear-family households in the village, representing 56 percent of the village's 175 households.

In recent years, there have not been any early marriages or early births in the village. According to the village's regulation on new marriages, when the woman is not from the village, the marriage can be registered locally only when the woman produces certificates from her local police station, village committee, and township family planning departments. The village would not be responsible for assigning jobs to those who obtain marriage certificates without completing the formalities and thus do not have village approval. After marriage, young newlyweds emphasize the quality of children instead of the quantity or sex. They consider themselves secure in life, with no worries about future support, and therefore do not need many children. Some elderly people envy those young people very much, saying, "How fortunate young people are to live in this society! They have fewer children and thus a smaller burden, and are able to report to work on time. If we had had such an environment, we would have chosen to have two fewer children."

4. The development of the collective economy forcefully improved the cultural qualities of the population. Damagu Village was willing to spend capital to improve the cultural qualities of the village masses. In 1983, the village enacted a regulation stipulating that village youths, male and female, would receive a monthly allowance of 8 yuan if they attended junior high school, or 12 yuan per month if they attended senior high school; the allowance would be payed out in a lump sum upon graduation. If they attended technical school or college, they would receive a monthly allowance of 30 yuan, payable every six months. In order to improve the quality of village masses as quickly as possible, the village itself operates a night school; meanwhile, the village financed study tours at other localities. They spent so much on improving the population's cultural quality not only because they considered that trained

personnel were required for the in-depth, expansive, specialized, and serialized development of production, but also because they felt comprehensive social development was even more in need of trained personnel. Without improvements in the population's quality, people's views, thoughts, and ideas could no longer accommodate the needs of constructing the two socialist civilizations.

5. The development of the collective economy is the key to solving the excessive growth rate of the rural population and benefiting the state and the people. Construction of the material civilization and construction of the spiritual civilization complement, condition, constrain, and promote each other. Material goods are the prerequisites for the production of human beings themselves. Damagu Village's experience tells us that the collective economy is the pillar of the vast countryside; it determines people's social activities and changes in those activities. This is also the case in the areas of marriage, family, and reproduction. Family-planning work involves not only changes in peoples' thoughts, views, and wishes, but it also involves social and economic development and progress. With economic development, the masses' living standards are inevitably raised, resulting in a rich state and strong people. Each year Damagu Village's strong collective economy turned over substantial sums of generated profits and taxes to the state, which led to common prosperity among village masses. However it also affected the masses' reproductive behaviors, changed their views on reproduction, and eliminated feudal thoughts left over from China's past several thousand years. Relying solely on ideological work, administrative measures, and legal constraints will have only a limited effect on rural family planning. In terms of achieving complete control, only by strengthening political work, administrative measures, and legal constraints based on economic development will it be possible to fundamentally change masses' views on reproduction and eliminate their worries about future support, thereby changing unrestrained birth into planned birth. This is really the basic approach for controlling the rural population, which represents 80 percent of China's population.

## AGRICULTURE

### Survey on Buying Negotiated Grain Trade

91CE0345A Beijing JINGJI CANKAO BAO in Chinese  
28 Jan 91 p 2

[Article by ZHONGGUO SHANGBAO reporter Zhu Songlin (2612 2646 2651) "Research Scope": "Enhance Regulation and Control and Open Up the Market: A Survey on Stimulating Negotiated Grain Trade"]

[Text] In the past 11 years of reform, grain trade through negotiation has grown rapidly: Negotiated buying and selling have both increased in volume. In the 1989 grain-trade year, negotiated grain purchasing reached

51.15 billion kg—an historic high. Not only did negotiated purchasing pass the 50 billion kg mark for the first time, it also for the first time surpassed the volume of trade conducted under contracted procurement quotas. Negotiated commerce in grain has been important in closing the gap between state revenues and expenditures on grain trade at par; spurring grain production; stabilizing the market; regulating surpluses and shortages; increasing revenues; and strengthening the state's regulatory and control powers.

However, between the 1989 grain-trade year and today, negotiated commerce in grain has encountered unprecedented problems. These are expressed primarily as follows:

More grain has been purchased than sold at negotiated prices, so grain reserves have mushroomed. In 1989 negotiated grain purchases increased 7.35 billion kg over the previous year, whereas negotiated sales decreased 8.55 billion kg, resulting in an increment of 15.9 billion kg in state grain holdings. At the end of 1989 reserves of grain acquired through negotiated purchasing had grown 12 billion kg over the same period of the previous year. Clogged sales channels tied up a great deal of money, resulting in a heavy interest burden. In Henan, reserves of grain purchased through negotiation grew 1.08 billion kg, tying up 2.2 million yuan in funds and costing more than 20 million yuan per month in interest.

Negotiated selling prices have plummeted and operations have lost money. The market price of grain has been on a continuous slide since the latter half of 1989. Some commodities, such as husked rice, have slumped from around 1.60-1.80 yuan to in the neighborhood of 1.00-1.20 yuan. Right now the overall price of rice, wheat, and corn redistributed among the provinces has dropped to about the negotiated market price for new grain in 1989. In the first half of 1990 grain dealers selling at negotiated prices experienced industry-wide losses all across the country, together losing some 72 million yuan. By comparison with the 2.159 billion yuan in profits earned during the same period of the previous year, the decline in profits and concomitant increase in losses amounted to 2.231 billion. Over 48 percent of all grain merchants trading through negotiation lost money.

Peasant grain-selling problems (primarily difficulty in selling at negotiated prices) reappeared. Most recently the state has taken certain steps to help grain departments pull through and to satisfy peasants who wish to sell grain. It has had some success in this effort. In order to fundamentally resolve problems in the negotiated grain trade, stimulate circulation, and support grain production, the following measures should be adopted:

We should establish a state grain reserve system and enhance our capacity to regulate and control the market. In regions and years marked by bumper harvests, we should purchase more grain for reserves and gradually build up a grain reserve system that would incorporate the national, regional, and rural collective economy, as

well as peasant households themselves. The size of grain reserves should be maintained at roughly 10-15 billion kg. The funding for this should come from support offered by public finance and banking departments at all levels, as well as from bank loans and discounts. Where conditions permit, a grain reserve fund could be built up over time.

We should continue to control and organize grain redistribution and sales and stimulate circulation. In addition to guaranteeing the circulation and reserves that are necessary, both for the state to sell grain through negotiation rather than at par, and for achieving a balanced market situation, we must think of every possible way to activate negotiated grain sales, which are intrinsic to normal market circulation, and to encourage enterprises engaged in this trade to stimulate circulation.

As for funding and interest, we must adopt the necessary policies to promote circulation of grain traded through negotiation. To guarantee the funds needed for allocating and transferring grain stocks, we must accelerate their withdrawal from circulation. Right now grain departments that handle negotiated grain transactions are saddled with a tremendous interest burden. We need to continue lowering interest rates, ideally to the level of 42 percent per month, and we should offer the same preferential interest rate on credit for grain traded at par.

In order to stimulate enthusiasm for business, we can make prudent adjustments in the portion of profits retained from negotiated grain transactions. Beginning in 1989 financial departments adopted measures restricting profit distribution in negotiated grain transactions, in many places forbidding enterprises to retain more than 20 percent of their profits. Based on this distribution ratio, after they pay into energy construction and budget adjustment funds, enterprises actually retain only about 15 percent of their profits. This makes it difficult for enterprises to acquire the facilities necessary for business negotiations, or to enhance their capacity for self-development, and it also affects their business initiative, with ultimately detrimental effects on public finance.

We must seize this opportunity to actively but prudently curb grain sales at par and open the market for negotiated grain transactions. For some time the volume of grain sold on commission has been larger than the volume of grain sold through contracted procurement quotas, and the shortfall has been made up by imported grain and by domestic grain "sold at negotiated prices rather than at par." This has placed a heavy financial burden on us, but now there is a plentiful supply of grain for bargaining, prices are low, and market channels are open; thus, we have a golden opportunity for reform. Authorities in every locality can take steps to curb sales at par.

## Turning Point in Grain Reform

9ICE0345B Beijing JINGJI RIBAO in Chinese  
9 Jan 91 p 1

[Article by JINGJI RIBAO reporters Song Honggang (1345 4767 1511), Li Delai (2621 1795 0171), and Lu Yangguang (4151 9486 0342): "Topics Arising From Grain-selling Problems—a Discussion Jointly Organized by the Ministry of Agriculture and JINGJI RIBAO": "Bumper Harvests: A Turning Point in Grain Reform"]

*[Text] Editor's Note: Over the past couple of years China has reaped repeated bumper harvests, a fact that has had a profound effect on stable political, economic, and social development nationwide. But just as the authors point out in the following analysis, "Bumper Harvests: A Turning Point in Grain Reform," the bumper harvests have not only brought joy to the people, they have also brought farmers the headache of "grain-selling problems." Overall there is no real overabundance of grain, but because circulation channels for agricultural products are clogged, widespread marketing problems have appeared, affecting many kinds of goods. This is a very abnormal phenomenon. Figuring out how to rearrange the grain purchasing and marketing system and thus guarantee further stable development is becoming a greater and greater concern to public figures in a wide range of fields. Conditions are ripe for us to use the opportunity afforded by bumper harvests to push for reform in the grain purchasing and marketing system. Some provinces, cities, and autonomous regions have already accumulated some experience in this area. JINGJI RIBAO, in association with the Ministry of Agriculture, has organized a dialogue on this issue, to which we hope all cadres, masses, and public figures will contribute suggestions and advice so that, together, we can spur reform in the grain purchasing and marketing system.*

At the end of 1990 and the beginning of 1991 urbanites had no strong impression about whether there had been a bumper harvest or a crop failure in the countryside. As they had done the previous year, they paid close attention to various market quotations and planned what they would purchase to redeem a year's-worth of surplus grain coupons. (This includes the author.) In the farmers' markets it is possible to redeem grain coupons for everything from washbasins and kettles to electric hair dryers and copper chafing dishes. It is certainly not news that grain coupons function as currency in circulation. In peoples' eyes grain coupons have become a kind of low-worth "income." At market in Changchun, Jilin—which is a major grain-producing province—a coupon for 5 jin of grain will actually buy only a single egg.

In this huge nation of 1.1 billion people, where the average individual has only a little over 1 mu of arable land, the resource in shortest supply is not coal, electricity, or oil: it is grain. But in the people's everyday lives precisely the opposite seems true: regardless of

whether there is a bumper harvest or a crop failure, grain is always the least-valued commodity.

At a time when, in order to exhort people to value hard-earned rice and flour, exhibitions on grain conservation and on waste have been launched one after another all across the country in the past year, the question is: Has the message gotten across? Is the par price of grain too low?

In support of the idea that the par price of grain is too low, we can make the following case: according to statistics, nationwide there is a 25 percent annual surplus in the urban grain ration. If that surplus were to be sold at market prices, the proceeds would be enough purchase the remaining 75 percent at par. That is to say, urbanites can purchase all the grain they need almost without spending any of their own money.

However, hidden from view is another aspect which illustrates that grain is really not so cheap. Urbanites can buy grain without spending their own money only because others—the government and the peasants—are paying for it in their stead. A Beijing Food Bureau poster titled "Where the Food We Eat Comes From," says that when Beijing residents pay 0.185 yuan to buy one jin of flour from a grain shop, the actual cost is 0.84 yuan, but 0.3 yuan each are paid by the government and the peasants. Nowadays there is a serious inversion in grain prices—the purchase price is normal for the 1990's, but the selling price would have been normal in the 1950's. The state is certainly not supporting this enormous price distortion with a wealth of financial resources: in 1989 the state grain subsidy reached 40 billion yuan, an amount about twice what the state spent on agricultural inputs. The price distortion is a reflection of our current grain purchasing and selling system. This system arose out of China's unique national experience, carries with it a heavy load of historical features, and has been used safely for more than ten years. Under this system, peasants are responsible for filling an annual grain procurement quota of 58 kg apiece, and city dwellers each receive a grain allowance of about 150 yuan per year. (Beijing residents, on the other hand, enjoy a grain and grain oil subsidy as high as 300 yuan per year.) Under this system peasants produce grain based on the market price, whereas city dwellers are "supplied" via low-cost rations, and grain consumption gets translated into "material benefits." Farmers and grain enterprises end up doing business accounting and demanding that business be profitable. Local governments are concerned about the multilateral relationships among the central authorities, local peasants, enterprises, and consumers. Ultimately, the central government has become the sole caretaker for over a billion people, and the method it has opted for has been to supply ever-heavier subsidies.

Although the current grain purchasing and marketing system, which spawned this enormous price distortion, has been used safely for many years, it has gradually grown more and more abstruse: what has proven to be most crippling to the system is not crop failure, but

overabundant harvests. In the autumn of 1989, when a nationwide bumper harvest was assured, complaints arose on all sides. The loudest grievances concerned peasants' grain-selling problems, but there was also a series of criticisms directed at the shortage of funds and storage space, the inadequacies of grain shipping and transfer facilities, and so forth.... A huge, unprecedented bumper crop in 1990 closed out the final year of the Seventh Five-Year Plan (although the overall five-year goal of 450 million tons of grain was not met), but the joy of a bumper harvest was tempered with bitterness on several points.

The increased grain yield last year in Jilin, China's chief commodity grain region, accounted for one-third of the total increase nationwide, but Governor Wang Zhongyu [3769 1813 4416] did not seem too pleased about it. Although the harvest was abundant, day-to-day life had been tough for more than a year. To quote Governor Wang, "The yield has increased tremendously, but so have the subsidies." It costs Jilin one fen for each jin of grain it ships out, so for each one-fen increase or decrease per jin, the province gains or loses a total of 100 million yuan. It would take a 24-car freight train two years to move the amount of commodity grain harvested in Nong'an County alone. We talked with a farmer at a county granary in Heilongjiang, and when the subject of grain-selling problems came up he told us that, "If the government would just accept all the grain I have on hand, I wouldn't care if they gave me IOU's for it." Witnessing the grain piled everywhere in peasant households certainly makes their willingness to accept IOU's understandable.

While local governments were banging the drums and heaping honors on peasants in order to boost grain sales to the state over the past few years, it seems they never anticipated that a bumper harvest, especially a huge bumper harvest, might engender so many problems. The government fears that "cheap grain will hurt farmers," so it spares no effort to accept all the surplus grain they have on hand. However the grain bureaus cannot hold up under this burden, for not only are they short of money and storage space, they are also saddled with many years of losses. The more grain they take, the more storage space they need, which in turn ties up more money, raises operating costs, and increases losses. Right now widespread grain enterprise losses are dominating the books and the burden is growing heavier day by day.

The good news is that now that problems in the grain purchasing and marketing system have been revealed by the bumper harvest, they can be resolved by making the best use of the opportunity provided by that abundance. The bumper harvest of 1990 supplied us with a rich material foundation and a new turning point for intensifying reform, putting agriculture on track toward stable development and preparing the way for a new system.

Grain production has suddenly stopped fluctuating, so state grain purchasing has skyrocketed while sales have plummeted. In addition, the market price of grain

remained stable through 1989 and 1990, and the increase in reserves forth gave us a rare opportunity to intensify reform in the grain purchasing and marketing system.

The combination of opportunity and outcry has produced the conditions necessary for reform. Many localities across the nation have already moved forward. Since 1988 Shanxi, Guangdong, Fujian, Guangxi, and Henan have acted on the principle of "decentralized decision-making and shared risks" to shake up the old network of interests that has long been established among producers, consumers, processing businesses, the central authorities, and local governments. Thus, they have taken the initial steps and accumulated some experience. On 12 October 1990 China's first regional whole sale grain market—the Zhengzhou Wholesale Wheat Market—opened for business. The state announced it was making a new attempt to establish a special grain storage system and increase its capacity for macroeconomic regulation and control.

The goals of reform are clear: We must readjust the relationships among the state, local areas, enterprises, producers, and consumers, and build a new mechanism that encourages grain production, restrains grain consumption, stimulates enterprises, and alleviates the financial burden on the state. That is, we want a new grain purchasing and marketing system that integrates a planned economy with a market economy.

According to the state plan, by the year 2000 China's annual gross grain output should reach 500 million tons and per capita grain holdings should average 400 kg. We face a difficult task. Grain consumption in China is increasing at the rate of 10 billion kg per year—the population is growing, while the quantity of arable land is shrinking. This means we must adopt a new grain circulation system as quickly as possible in order to feed our 1.2 billion people. At the same time we must prepare to cope with all possible contingencies.

Speaking at the 16th meeting of the 7th NPC Standing Committee, Vice Premier Tian Jiyun clearly pointed out that "In the long-term perspective, if we are to preserve stable growth in the production of grain and other staple crops, we must promote reform in the circulation system and resolve problems that plague the purchasing and marketing system and the product pricing system."

When we look back on the huge bumper harvest of 1990, we should say that it was both gratifying and troubling, but that most of all it presented us with something more valuable than the harvest itself: an opportunity. It gave us an unprecedented new opportunity to reform the grain circulation system.

## Greater Investment in Agriculture Encouraged

### Slow Capital Drain From Agriculture

91CE0485A Beijing JINGJI CANKAO BAO in Chinese  
26 Feb 91 p 4

[Article by Wu Yaping (0709 0068 1627): "Need To Solve Agricultural Capital 'Alienation' Issue To Increase Investment in Agriculture"]

[Text] After summarizing the lessons of experience from the continuous standstill in agriculture since 1985, people realized that the reason for elevating investment in agriculture to a position on a par with that of policies and science was that the contradiction of insufficient investment in agriculture was responsible, to a considerable extent, for restricting the steady development of agriculture. In 1988, China's investment in agriculture as a percentage of total investment in capital construction was only 3 percent in an 8.1 percentage point decrease from 1979. Statistics from a survey of peasant family cash income and expenditures shows 1989 peasant household investment in agriculture as a percentage of family expenditures for farming to have been 19.3 percent, down 1.94 percentage points from 1984. This was extremely out of line with the output value of agriculture, which accounted for 24.3 percent of gross national product [GNP], and income from agriculture, which accounted for 41.3 percent of peasant family income. The seriously insufficient investment in agriculture meant that agricultural production conditions did not improve as much as they should have improved. The ever increasing wear and tear on basic water conservancy facilities, soil degeneration, and erosion problems seriously impair reserve strength for the development of agriculture. A small number of places have even found it difficult to maintain simple reproduction.

In a commodity economy, investment in agriculture is summarily expressed as investment of capital, and investment of capital is closely associated with the movement of total agricultural funds. The direct reason for insufficient investment in agriculture is an increasingly serious "alienation" in the movement of agricultural funds. Large amounts of agricultural capital are diverted, through various means, away from their own circulation channels to nonagricultural investment. This seriously weakens both ability to invest in agriculture and ability to accumulate funds.

This "alienation" of agricultural capital shows up in exchange links as agricultural product procurement prices being lower than their value. As a result, output does not adequately recompense investment in agriculture. It is estimated that the leaking away of capital from agriculture as a result of the exchange of industrial and agricultural products at unequal prices amounted to more than 700 billion yuan from 1980 through 1988. The alienation of agricultural capital in distribution links shows up, first of all, in consumption funds eroding production funds. Statistics from a nationwide survey of

24,029 peasant households shows rural expenditures on the building of houses alone at 90.83 yuan per capita in 1989. This was 6.25 times the investment in agricultural fixed assets, and 1.8 percent more than the investment for agricultural production costs. The "alienation" of agricultural funds also shows up in distribution in a trend toward the accumulation of net receipts from agricultural in nonagricultural investment. In 1989, the output value of township and town enterprises nationwide was 430 billion yuan greater than in 1979. At a 1 to 3 input-output rate, an additional investment of 150 billion yuan was required, most of which, with the exception of a small amount received from loans, was transferred from agriculture. At the same time, peasant household-operated industrial sideline occupations also took away some agricultural funds. "Alienation" of agricultural finance capital was particularly noticeable. In 1989, the Bank of Agriculture and rural credit cooperatives took in 211.2 billion yuan more in individual savings from rural areas than in 1979, issuing only 72.4 billion yuan in credit during the same period. Thus, a total of 128.8 billion yuan in agricultural funds was siphoned away through credit channels. (This did not include the net capital runoff in the form of savings that urban banks collected in rural areas.) The "alienation" of agricultural capital also shows up in the problem of a "shift from agriculture to other than agriculture" of a agricultural investment. Hubei is a case in point. In 1989, 80.5 percent more large, medium, and small tractors were in use in rural areas throughout the province than in 1980. Conversely, during the same period the machine-plowed and machine-harvested farmland area declined 15 and 7 percent respectively. Agricultural investment in farm machinery and other things that are used in nonagricultural production is extremely commonplace. In addition, the steady increase in assessments under various guises also draws away large amounts of agricultural capital.

The "alienation" of agricultural capital basically reflects socioeconomic relationships, the economic structure, and changes in development of the economic mechanism. During the early period of reform, there was too much emphasis on heavy industry, and too little emphasis on light industry in the national economy, giving rise to a lopsided structure. Ability to accumulate capital declined greatly. Following reform, the national economy, and particularly light industry and township and town enterprises, developed rapidly. Most of their capital, except for a small amount that was imported, came from agricultural accumulations. Institution of the family output-related contract responsibility system greatly aroused peasant interest in production, both the rise in the agricultural production rate and money flow from exchange of surplus products increasing steadily. This provided a material foundation for the transfer to industry of funds from agriculture. At the same time, following reform, a pattern of marked orientation toward benefits occurred in the flow of social funds. Since investment in agriculture is over a long period of time, since risks are great, costs high, and returns low,

the possibility that agriculture will be able to acquire an inflow of social funds is relatively small, and a shift of funds from agriculture to nonagricultural pursuits is also difficult to avoid.

Solution to the problem of agricultural funds "alienation" to increase investment in agriculture is necessary for the sustained and stable development of agriculture. Past practice shows that national treasury and other external assistance to agriculture can remedy the investment shortfall resulting from the "alienation" of agricultural funds, as well as play a guiding and model role in the movement of agricultural funds. However, so long as an ample supply of government funds is not available, any large increase in agricultural investment is also unrealistic. Furthermore, outside support for agriculture must rely on the investment of agriculture itself; thus, solution to agricultural funds "alienation," and increasing investment in agriculture requires, basically speaking, building and perfecting an agricultural capital moving mechanism to increase the ability of agriculture to accumulate capital for realization of a benign cycle in agricultural funds.

The key to building and perfecting an agricultural funds moving mechanism lies in increasing agriculture's ability to attract and handle capital. Following overheated growth, the country's industry, and its township and town enterprises have shifted their focus to readjustment of the structure and improving returns. Under these circumstances, the state should make every effort to narrow the price scissors between industrial and agricultural products as a means of reducing the loss of funds from agriculture. In addition, only when returns from investment in agriculture approach or reach the average profit on social funds will it be possible to check the outflow of funds from agriculture, and only then will agriculture be able to attract the investment of funds.

Building and improving an agricultural capital moving mechanism will require perfection and reforms to solve the two contradictions that exist at the same time of insufficient investment in agriculture and insufficient demand. Ambiguity about how long the family output-related contract responsibility system will remain in effect, particularly the frequent changing of responsibility fields, put a damper on peasant interest in investment. A stable contract system and responsibility fields is needed to encourage peasants to increase the amount of soil improvement that they do, and to increase their medium-term investment in soil fertility and other things. There is a need to increase the "centralizing" function of the collective economy, thereby solving the problem of insufficient demand that is caused by the lack of main investors in agricultural projects of public benefit. The fostering of a social services system in agriculture has to follow principles for economic entities so that investment that serves agriculture will be effectively compensated, thereby promoting a benign cycle in investment.

The building and perfection of an agricultural capital moving mechanism also requires measures to protect the investment of funds in agriculture. The percentage of savings that the Bank of Agriculture and rural credit cooperatives take in that are turned over to the central bank must be lower than from other financial institutions in order to increase the source of funds that the Bank of Agriculture and rural credit cooperatives have for investment in farm credit. At the present time, the state practices a low interest policy on agricultural credit, and this plays a definite role in lightening peasants' interest burdens. However, since both the Bank of Agriculture and rural credit cooperatives practice independent accounting, and are responsible for their own profits and losses, low interest policies restrict the growth of agricultural credit. Interest rates on agricultural loans should be raised (the burden to be shared among units or through interest discounting) to bring about a voluntary tilt in credit funds toward agriculture.

Under the present system, the movement of funds in China is still not purely for economic reasons. Administrative intervention is still an important controlling force in the movement of funds. It is necessary to change administrative intervention, which tilts the flow of funds toward industry. Government financial credit and other outside investment in agriculture must not only be effectively planned, but a authoritative inspection and supervisory system has to be built as well to insure that plans for increasing investment in agriculture are properly carried out.

### **Increase Agricultural Investment**

91CE0485B Beijing JINGJI CANKAO BAO in Chinese  
27 Feb 91 p 4

[Article by Liu Disheng (0491 3695 3932) "Increase Investment in Agriculture To Stabilize Agricultural Growth"]

[Text] In recent years, the national economy has experienced considerable fluctuations, and instability in agriculture has heightened the shock of these fluctuations. Despite a bumper harvest in agriculture in 1990, grain output reaching an all-time high, as well as a good harvest of cotton and sugar-bearing crops, informed people realize that natural climatic factors played an important role in this rise, and that very likely a slowing in the speed of agricultural growth will occur in 1991. In terms of per capita amounts, the figures for 1990 grain and cotton output failed to reach the 1984 level. This state of affairs should be deeply reflected upon. We believe that the serious fluctuation in agricultural investment is fundamentally responsible for economic fluctuations, particularly the fluctuation in agriculture, and it is the matter about which we are worried.

Conclusions reached about the relationship between agricultural investment and economic development in more than 70 countries shows that for each 1 percent increase per capita, the percentage of agricultural

product gross value reinvested in agriculture should be 0.25 percent. This means a 1.3 percent increase in the percentage of agricultural gross value reinvested for every 1 percent increase in income per agricultural worker (the agricultural work force). In China since 1978, government's actual investment of funds for the support of agriculture has amounted to only 56 percent of the amount that should have been invested. This included an investment in the capital construction of agriculture amounting to only 43 percent of the amount that should have been invested.

In order to increase effective supply in agriculture in order to enable agriculture to make new upward strides, not only must policies create conditions and a freer environment for the steady development of agricultural production, but the agricultural investment problem must also be solved. Remedies and actions that may be considered are as follows:

**Remedy 1: Rational Readjustment of the Structure While Controlling the Scale of Capital Construction, Establishing a Tilt Toward Investment in Agriculture**

(1) Renewed coordination of industrial and agricultural development, insisting on placing agriculture in an extremely important position. The best method today is to follow the laws of industrial development, appropriately cutting back on investment in industry to free a certain amount of capital and other key elements to enhance the development of agriculture. Accelerating the development of agriculture and controlling the bloating of industry enables speedy development of both industry and agriculture, and a coordination of the structure that enables a 9 to 13 percent rate of increase for manufacturing industries and a 3 to 5 percent growth rate for agriculture, the speed ratio being maintained at approximately 3 to 1.

Readjustment of the amount of funds available for industry and the way in which increased funds are used, cutting back ineffective speed of industrial growth as a means of reducing accumulated pressures on agricultural supply.

**Remedy 2: Devising Means of Obtaining Agricultural Construction Funds From Multiple Sources For the Building of a Multilevel Capital Supply System in Which National Government Capital Plays a Controlling Role, Credit Funds Are a Mainstay, and the Cooperative Economy and Peasant Household Funds Are the Foundation, Supplemented by the Use of Foreign Capital and Laterally Obtained Funds.**

(1) Increase in agricultural capital construction investment as a percentage of total national investment. State plans must continue to make the development of agriculture a key issue, increasing investment in agriculture in annual plans and the Eighth Five-Year Plan. Funds for the capital construction of agriculture as a percentage of investment in national capital construction must be expanded from the 3 percent per year level of the Seventh 5-Year Plan to the 5 percent per year level of the

Sixth Five-Year Plan period, and revived to between 7 and 8 percent during the Eight Five-Year Plan period. In addition, various agricultural investment channels should be opened for the establishment of an agricultural development fund. The state should also give preference in loans, interest rates, and taxes for certain projects of a developmental nature.

(2) Actions should be taken in accordance with the prevailing system of transfer of financial management responsibilities to various levels to enhance local investment in agriculture, local governments at all levels emphasizing the development of local agriculture, making it a part of local plan, giving priority to it in funds, materials, and technology, and adopting a policy of benefits to investors in order to encourage and channel local investment.

(3) Stabilize agricultural economic policies to establish and protect a new mechanism for accumulations and investment in which peasant households are the mainstay as a means of encouraging peasant interest in expanding reproduction. In 1989, individual peasant investment in fixed assets used in farming, forestry, animal husbandry, and the fishing industry was only 16.7 percent of the total. If this percentage could be increased to 30 percent, investment could be increased by more than 100 billion yuan. In addition, peasant excess purchasing power will exceed 330 billion yuan in 1990, 19 times again as much as in 1978. If 20 percent of this could be converted into funds for agricultural production, it would be possible to increase investment in agricultural production by between 60 and 70 billion yuan.

(4) Make greater use of foreign capital to accelerate progress in the modernization of agriculture. Products of industries able to carry a certain amount of interest burden and that are able to repay principal and interest should be selected for the use of foreign capital. If industries that produce primary products are not suitable, those that do processing to convert primary products or to use them in multiple ways that are also able to repay principal and interest should make full use of foreign capital. In using World Bank and other international credit, every effort should be made to increase the percentage for agriculture and favorable term soft credit.

(5) Increase sources of funds for the support of agriculture, and adoption of strategic measures to "collect from agriculture for use in agriculture." First, is an increase in the percentage of extrabudgetary income from all levels for use in agriculture, increasing the central government prescribed amount of extrabudgetary income used in agriculture from 1 to 3 percent. Second, a fixed percentage of new tax revenues and profits received from township and town enterprises should be used in agriculture. Third is an increase in taxes for takeovers of agricultural land, taxes on farm, forestry, and aquatic special products, and the percentage of expenses incurred in improvement of grain and edible oil technology, all receipts used in agriculture.

**Remedy 3: Deepening and Perfecting of Economic System Reform For Steady Improvement in Returns From Agricultural Investment.**

The long-term, steady development of agriculture has to be propelled by an increase in external investment, but the focus of attention must be on how to improve economic returns from investment in agriculture in order to avoid traveling once again the past road of no small amount of investment in, but no great output from agriculture. The investment moving mechanism has to be changed as development of a commodity economy requires to shape an internal benign cycle in agriculture.

**Shaanxi Cultivated Land Area**

91P30127F Beijing ZHONGGUO TONGJI XINXI BAO in Chinese 25 Mar 91 p 1

[Summary] At the end of 1990, the cultivated land area in Shaanxi Province was 52,995,000 mu, a decline of 121,000 mu from 1989.

**Anhui Agricultural Loans**

91P30132B Hefei ANHUI RIBAO in Chinese 27 Mar 91 p 2

[Summary] Agricultural banks and credit cooperatives in Anhui Province will provide 1.3 billion yuan in loans for spring plowing, an increase of 850 million yuan over the same period in 1990.

**Shandong, Guangdong Crop Area**

91P30132A Beijing ZHONGGUO TONGJI XINXI BAO in Chinese 14 Mar 91 p 2

[Summary] According to a survey of 3,617 cotton farmers in Shandong Province, the planned area is 9,752 mu, an increase of 1,367 mu, or 14 percent over 1990. The cotton area throughout Shandong could reach 23,500,000 mu. According to a survey of 3,705 rural households, the planned peanut area is 5,114 mu, a 1.7 percent increase. According to a survey of 1,650 tobacco farmers, the planned tobacco area is 1,196 mu, a 6.4 percent increase. The tobacco area throughout Shandong could reach 1,300,000 mu.

According to survey of 2,001 rural households in 32 counties in Guangdong Province, the grain area is 17322.22 mu, a decrease of 1.6 percent from 1990, the rice area has declined 1.5 percent. The cash and other crop area is 6017.15 mu, a 5.44 percent increase; the vegetable area is 1777.13 mu, a 4.74 percent increase; and the fruit area is 1021.86 mu, a 7.11 percent increase.

**Heilongjiang Corn Yield Goals**

91P30127E Harbin HEILONGJIANG RIBAO in Chinese 1 Apr 91 p 1

[Summary] During the Eighth Five-Year Plan, the goal of Heilongjiang Province is to increase the average per mu yield of corn from the current 337.5 kilograms to 500 kilograms.



### Fei Xiaotong Views Changes in Rural Villages

91CM0337A Beijing ZHONGGUO SHEHUI KEXUE  
[CHINESE SOCIAL SCIENCES] in Chinese No 1,  
10 Jan 91 pp 169-178

[Article by Fei Xiaotong (6316 1321 6639), professor,  
Beijing University: "Three Yunnan Villages Revisited"]

[Text] *Half a century ago, the writer of this article and Zhang Zhiyi [1728 0037 3015] conducted a community survey of three villages (Lu Village, Yi Village, and Yu Village) around Tianchi in Yunnan Province. Our purpose was to gain an understanding of the socioeconomic structure of inland rural villages in a quest for ways to improve the livelihood of inland peasants. Not long ago, the writer returned to these old places for a followup survey of the social changes that have occurred there during the past 50 years. This article summarizes what the writer heard, saw, and felt during this survey. One can see from the summary presented in this article that these villages have traveled a very arduous and tortuous road of development during this half century. Since reform and opening to the outside world, the socioeconomic situation in these villages has changed markedly from what it had been. These changes reflect both the pace of epochal advances and the villages' own peculiarities, as well as the different problems that each faces in its future development. One might say that, in a certain sense, the changes in these three Yunnan villages are a microcosm of changes in China's rural society.*

*The author, Fei Xiaotong, was born in 1910. He is a professor at Beijing University.*

From 1938 to 1942, during the early and mid-period of the War of Resistance Against Japan, Comrade Zhang Zhiyi and I surveyed three rural villages around Tianchi in Yunnan. These three villages belonged to three different counties at that time, namely Lufeng, Yimen, and Yuxi. For this reason, we termed them Lu Village, Yi Village, and Yu Village. A volume made of handmade paper that Commercial Press published presented my *Lu Village Farmland*, (1942), and Zhang Zhiyi's *Yi Village Handicraft Industries* (1943). Zhang Zhiyi's *Commerce and Agriculture in Yu Village* appeared only in a mimeographed volume. In 1943, I visited the United States for the first time, and during my visit, these articles were translated and published under the title *Earthbound China* (Chicago University Press, 1945). After Comrade Zhang Zhiyi died in 1987, I compiled them into a volume titled *Three Yunnan Villages*, but because of publication problems, they have yet to appear.

After collating *Three Yunnan Villages* I often thought about a followup survey in Yunnan. Since such a survey would take quite a long time, arranging it posed difficulties. So, it was not until late May and early June of 1990 that I simply took 20 days to go to Yunnan and put in an appearance in the three villages. Such a hurried superficial visit can hardly be regarded as a survey and study. It was not until I reached Kunming that I learned that the former Lufeng County has now become the Chuxiong

Nationality Autonomous Prefecture, and that Yi Village has been made a part of Lufeng. Furthermore, in 1983, a Chuxiong Prefecture research organization assigned Comrades Qian Chengrun [6929 2052 3387], Shi Yueling [0570 1471 7227], and Du Jinhong [2629 2516 1347] to a followup survey in Lu Village and Yi Village, a portion of the results of which were published in 1984 in *Yi Nationality Culture*. When they heard I wanted to revisit the three villages, they made a special point of offering to act as my guide. All of the post-1940's material quoted in this article, except for that obtained during my recent visit, came from them. I claim no credit, and I am deeply grateful for it. With their help, I was able to obtain a summary understanding of the changes that have taken place in Lu Village and Yi Village during the past half century, which helps in understanding development.

As for Yu Village, inasmuch as Comrade Zhang Zhiyi has passed away, and since I am unable to remember the former name of that village, all I could do is visit a township in the outskirts of Yuxi in the direction that I remembered. Changes in the rural villages of Yuxi have been very great. Their old appearance has been virtually completely changed. When I asked some old villagers, none of them remembered that I had conducted a survey there 50 years ago.

Following is a short report on the visit to the three villages.

#### I

Our purpose in surveying the three villages in Yunnan 50 years ago was to understand the socioeconomic structure of inland rural villages that had been but little affected by the economy of modern industrial and commercial cities at that time. This was to form a basis for studying ways to improve the livelihood of inland peasants.

As rural villages of three different kinds situated on the plain around Tianchi in eastern Yunnan that were representative of Yunnan before the War of Resistance, these villages provided us a basis for comparative study.

Lu Village provided us a rural model of a self-sufficient village that had very few sideline occupations and virtually no handicraft industries outside of agriculture. Its distinguishing feature was a large population on a narrow plain using simple techniques, and depending on agricultural production to maintain a livelihood.

Such inland rural villages, like rural villages in developed coastal areas, have large numbers of people living on a small amount of land. At that time, Lu Village had 611 people in 122 households, and 1.8 mu of cultivated land per capita. Since it was located in the center of the plain, all its fields were wetlands that each year grew two crops of paddy and broad beans and produced a yield totaling 1,538 jin per capita. Were it to be divided equally, the entire village's problems of sufficient food and clothing would be satisfied. However, individual household land holdings in Lu Village varied very greatly, 66 percent of

all households having little land (less than 6 mu) or no land at all. Their land holdings amounted to one-fourth of all farmland. These needy households had to depend on leased fields or the sale of their labor to survive. People who depended on the sale of their labor to maintain a livelihood numbered 250, approximately 60 percent of the village work force. Males who had surplus land did not themselves work. They lived in the village giving direction to hired labor and managing the farming of their land. We termed these people small landholders who hired labor and managed farming themselves.

This situation in Lu Village differed from that in Jiang Village near Tai Hu in Jiangsu Province, which I surveyed in 1936. Jiang Village was close to large and medium-sized cities such as Shanghai and Suzhou, and it had developed traditional handicraft industries. In earlier times, it had been relatively prosperous. At that time, however, because of the loss of international markets for the silk it produced, all traditional handicraft industries had collapsed, never to recover. Peasant earnings plunged. Those who owed money they had borrowed at usurious rates ultimately sold their land to become tenant households. Most of those who issued credit and bought the land lived in cities and towns; consequently, a situation occurred of an outflow of land rights from rural villages. The owners of the land there neither worked nor did they manage farming. None of them lived in the village, so we called them "absentee landowners," or "landlords away from the land." Although both Lu Village and Jiang Village were part of a feudal system at that time, they differed in form.

When we compared Lu Village and Jiang Village, a problem arose: Were there any inland rural villages in which a handicraft industry was fairly well developed, and what was their situation? With this question in mind, we journeyed by horseback six days away from Lufeng City to the shore of Luye Jiang in Yimen County, where we found a village in which a traditional handicraft industry was fairly well developed. We called it Yi Village. Comrade Zhang Zhiyi took up residence here to conduct a survey. This village was located along the river, along both shores of which bamboo grew in profusion. Using bamboo as a raw material, this village developed two handicraft industries. One was the weaving of bamboo utensils, and the other was the manufacture of native paper.

Yi Village was also a densely populated village in which lived 236 people in 57 households on 212 mu of cultivated land, 9 fen per capita. It was at once apparent that Yi Village was poorer than Lu Village. Almost two-thirds of the people farmed small plots of land insufficient to support a family. They had to depend on the weaving of bamboo utensils to augment their earnings. Another one-third of the people depended on the manufacture of native paper. Their livelihood was better. A small number of them accumulated some capital to buy land in the neighboring Yi nationality area from which they collected rents.

In Yi Village, we saw two different kinds of handicraft industries. In one, poor households used their surplus labor to weave bamboo utensils as a sideline occupation to augment their income. No investment was needed for this sideline occupation. They could grow bamboo along the river for use as a raw material, and the tools they used were simple. All they needed was a flat blade knife to split the bamboo. An empty space in front of a doorway was their work place. The skills had been handed down by their ancestors, most people learning them through practice. It was not difficult to become expert. Their products were items used in the daily life of peasant families. They did not produce many different kinds of bamboo and wicker baskets; thus, the handicraft industry in this kind of sideline occupation was rather ordinary.

The other handicraft industry was native paper manufacturing. This was really a workshop industry. Products had to go through a certain manufacturing process. First the bamboo was split into very thin strips, then retted several times. After sun drying, it was ground into a slurry which was then pounded into wet paper using a bamboo pole, and dried atop a brick stove. This manufacturing process required no special training except for the pounding and drying of the paper for which special skill was required. It did require workshop equipment in the form of retting pits and drying stoves, however. A certain amount of capital was also required: Raw materials had to be bought; facilities had to be built; and wages had to be paid to get skilled workers to come to work. It was estimated that the construction of a paper workshop's equipment cost more than 1,000 yuan at that time, and more than 5,000 yuan in working capital was needed to maintain year-round workshop production. The profit rate was 8.8 percent. Usually the shop owner manufactured as much paper as his capital allowed. Idle workshops were rented to others for use. Yi Village had a total of nine paper workshops, none of which operated all year round. The number of papermaking workshops rented out varied from year to year. In 1939, there were 10. Although not large in scale, these handicraft industries were already capitalist in nature. Only in their operation did they still carry tails of feudal relationships such as kinship relationships and master and apprentice relationships, and so forth.

The thing that attracted our attention was that the concentration of capital in Yi Village's workshops did not lead to the concentration of land ownership as it did in Jiang Village. The reason was that everyone in the village had the same surname; every household was a relative of the same clan. Change of land ownership was restricted by feudal relationships. When a workshop owner made more money than he could use for his personal consumption, he could not buy land in the village. He could buy land for rent only in a nearby Yi nationality village. Land ownership in this village did not flow elsewhere, but rather land outside the village gravitated toward this village. As a result, landlords and capitalists appeared in the village.

Comrade Zhang Zhiyi continued to follow up on the development of rural villages, rising to a higher level, going from Yimen to Yuxi. At that time, Yuxi was already an industrial and commercial center in Yunnan. It was a major caravan transportation station on the route between Yunnan and Burma, and during the War of Resistance Against Japan it developed a textile industry that employed wooden looms. It was a rural village close to cities and towns in Yuxi that was rather deeply influenced by these cities and towns. We used it for purposes of comparison with Lu Village and Yi Village.

Yu Village was still largely rural. Every family grew rice. However, some vegetable-growing peasants had sprung up, raising vegetables that they supplied to cities and towns. In addition, the women of every household did spinning and weaving, which became an important household sideline occupation. Each household made its own wooden looms, and cotton yarn was purchased on credit from cloth merchants in Yuxi. The cloth weavers exchanged the cloth they produced for more yarn, the difference in value being their wages. Yu Village was like Jiang Village in that industry and agriculture complemented each other, but the form of operation differed.

A unique situation was found in Yu Village, namely some people who became wealthy from hauling. At that time, the inland caravan trade was mixed up with smuggling by small-time opium dealers. Yu Village was situated close to a major caravan station, so some people became rich from this illegal activity. Most of those who got rich moved out of Yu Village into cities and towns, renting their land to people in the village to farm. Some local people left the land and left the village, becoming "absentee landlords," but there were not many of them.

The above reviews in a cursory way the basic situation in the three Yunnan villages 50 years ago. It provides background data for our observation of the changes that have taken place during the past half century.

## II

All of the events portrayed above about the three Yunnan villages during the early and middle period of the War of Resistance Against Japan have been excerpted from our own survey. Once the survey was concluded in 1942, I had no opportunity to make followup observations. The narration that continues below is based on data provided by the 1983 survey of the aforementioned Comrades Qian, Shi, and Du. Since their survey was limited to Lu Village and Yi Village, which are now a part of the Chuxiong Yi Nationality Autonomous Prefecture, and since they did not go to Yu Village, we have no reliable data about events in Yu Village during this period. We have no choice but to leave this till some later time.

During the period between our survey to the period of land reform following liberation, that is, the 10-year period 1942-1952, very great changes occurred in both Lu Village and Yi Village. Let us first discuss Lu Village.

As a result of currency inflation, levies, various taxes, and political corruption during the War of Resistance Against Japan and the civil war periods, the peasants' lives became more and more impoverished. Poor peasants began to sell their land to rich families in cities and towns. By 1950, 20 percent of all cultivated land in the village belonged to "outside landlords" (meaning landlords who did not live in the village). Lu Village's former "hiring of labor while managing the farming of one's own land" began to disappear gradually. It began to follow the road of an outflow of land like Jiang Village. A county CPC Committee work team survey made during the land reform period showed 11.5 percent of the population to be landlords (exclusive of the outside landlords) owning 51 percent of the land. Poor peasants, who numbered 38 percent of the population, owned only 1.8 percent of the land. The division between the poor and the rich in the village was extremely serious. One family of despotic landlords that was purged during land reform annually smoked opium equivalent to the value of 64,800 jin of rice.

Accompanying the impoverishment of the peasantry was an atrophy of agriculture. Grain output fell 30 percent in 10 years. During this period, the cultivated land area increased only 18 percent, but population increased 44.5 percent. The number of opium smokers also increased manifold. Statistics show that at the time of liberation, two-fifths of the entire village smoked opium. The low ebb of Lu Village was very apparent.

Lu Village was liberated in 1951. Following the purge of robber officials and the overthrow of despots, rent reduction and landlords' return of deposits to tenants, in 1952 the entire county served as a pilot project for land reform, bringing to an end the feudal land ownership system. In land reform, the peasants were apportioned land, each receiving 1.8 mu. Peasant zeal for production was unprecedented, grain output in 1953 increasing 83 percent over 1949. In 1954, cooperativization was carried out, and in 1958 people's communes were established. Because of imperfections in the people's commune system, the practice of everyone eating out of a large common pot, and the practice of doing things in a massive and unplanned way stifled peasant zeal. Production declined greatly. In 1958, gross output of grain was 35 percent less than in 1953. Repeated ups and downs ensued thereafter, and it was not until 1978 that grain production revived to the level it had when we conducted our survey in 1939. This was still less than the 1953 record. It was not until institution of the family contract responsibility system in 1980 that the faltering of agriculture reversed. It was not until 1982 that grain output increased 14 percent over 1978, exceeding 1,000 jin per capita.

Lu Village is located in the center of a plain where agriculture enjoys exceptional advantages. Nevertheless, the amount of cultivated land is limited while population increases steadily. By the end of the 1970's, the village had more than 1,000 people, and by the end of the 1980's, the number was 1,200. Lu Village could never

become prosperous by depending on agriculture alone. During the early years of the War of Resistance Against Japan, the village's entire earnings from other than agriculture amounted to less than a tenth of its earnings from agriculture. As a result of highway construction after liberation, changes were made in the arteries used for shipping salt. Lu Village, which was located on a transportation artery and depended on service trades, such as inns with horse-stabling facilities, was put out of business. During the Cultural Revolution, peddlers who roamed the streets also came to be regarded as the tail end of capitalism and their business was halted. The only sideline occupation left was raising livestock such as hogs and chickens for personal consumption.

How a rural village with many people and little land could use its surplus agricultural labor to engage in production was always a serious problem. During the late period of the Cultural Revolution in the 1970's, Lu Village had no choice but to export labor and to build construction materials enterprises such as small brick and tile kilns in the name of cooperative ventures to find a way out of its problems. According to a 1978 estimate, nonagriculture collective earnings amounted to 23.4 percent of gross earnings and household sideline occupations accounted for 15.4 percent, a slight increase over 40 years earlier. Following reform of the commune system in the early 1980's, substantial changes occurred in the economic structure of Lu Village. In 1982, the village's earnings from industrial sideline occupations accounted for 48.5 percent of total income, up 10 percent from 1978. In 1983, 130 people in the village worked in five capital construction teams organized on the basis of voluntary participation. This was a big event for Lu Village. At that time, the village work force numbered 477, but there was sufficient cultivated land in the village for only 270 people to farm. Of the more than 200 surplus workers, 130 went into a labor-export corps. The reason was clear: The early 1980's were the beginning of rapid development of small cities and towns when large-scale capital construction increased demand for both construction materials and labor for capital construction. Neither of these required a large investment or complex skills; thus, rural villages that lacked capital accumulation were also able to provide bricks, tiles, and construction workers. Lu Village, which was near Jinshan Town, the county seat for Lufeng County, was in a favorable position to seize this opportunity.

During the 1930's, we also saw basic situations of surplus labor in a closed economy like that of Lu Village. The commune system did not solve this problem by any means; it did nothing more than cover up this situation by letting everyone eat out of a large common pot. With the contracting of land to individual families, every household and every family tried to find a way to put its surplus labor to use. This was an internal dynamo for development of the rural economy in the 1980's. The large numbers of Lu Village's work force who were attracted to construction teams fully show the role of this dynamo.

The rural economic structure also began to thaw. Not only was labor exported, but those who remained in the village also sought various means of subsistence outside agriculture. Rural sideline occupations developed very rapidly. In addition to the existing shipments of horses, blacksmith services, and knitting, service industries such as family workshops for the processing of beancurd, for the husking of rice, the milling of flour, and the making of popsicles, as well as restaurants, small department stores, and cold beverage shops began to appear in 1982. A total of 51 people worked in 16 different trades. These, plus 171 people working in family sideline occupations, accounted for 35.8 percent of the work force. Such growth of specialized households and key households gradually changed Lu Village's traditional character of complete dependence on agriculture to make a living.

The livelihood of the residents of Lu Village changed correspondingly. In 1978 there were 49 "overspending households" in the village who were unable to make ends meet. This was approximately 20 percent of all households in the village. Four years later, except for one indolent person, no one said they did not have enough to eat. During these four years, income increased 26 percent—earnings went from 204 to 333 yuan per capita. The problem of sufficient food and clothing was substantially solved. Every household had running water. In this village of 246 households, there were 99 sewing machines, 150 bicycles, 138 radios, and eight television sets.

During our revisit to Lu Village, we particularly wanted to find out about conditions since 1982. Because of the short time available, we were able only to hear a report from a person in charge of the village. On the industrial structure, the ratio of agriculture to industry and sideline occupations was 7:3 in 1978, 5.5:4.5 in 1985, and 4:6 in 1989. These figures were not verified, but they helped us see the outlines of Lu Village's substantial development during the past 10 years.

Lu Village's economic development was also readily apparent. Fifty years ago, to go from the county seat for Lufeng County to Lu Village, we had to travel on a flagstone road for nearly one li; and there were paddy fields on both sides of the road. There were very few pedestrians on the road, and people frequently urged us not to go into the city alone at night. Today, the Lufeng County seat is named Jinshan Town. Virtually all the houses in this town are newly built, and the city has expanded very much to connect with the entrance to Lu Village. This large amount of construction told us in a concrete way why more than 100 people from our Lu Village became construction workers during the past several years.

However, except for the road to Lu Village having changed from flagstone to concrete with water supply pipes running along the road, the basic appearance has not changed greatly. The fronts of buildings along most lanes and alleys are the same as before. I was able to find the house in which I had lived during the survey. The

owner had long since passed away, and the fifth generation of children had been born. But as soon as I looked at the central room of the house, I saw it had the same look as during those years, and I was even able to recognize my bunk at that time. One difference was that I remembered the courtyard as being much more spacious. In the course of a half century, several small rooms had been built there, so the open space seemed narrower. After coming out of the house to the street and turning a corner, an old man told me happily that he was still a child at the time of the survey. He took me off to see the medical practitioner, so I had the impression that the external appearance of Lu Village had not changed much. Not many new houses had been built in the village. However, when I entered the Chinese medicine shop that had stood there at that time, I saw that it had been repainted inside. The proprietor sat me on a sofa, and in the corner of the room was a television set.

Since the villagers had heard that I was in favor of township and town enterprises, they were anxious to invite me to pay a visit to the plastics factory, of which they were very proud. The factory was at the western edge of the village. It was a newly built factory, and broken plastic purchased from all over was piled in the plant yard. I knew at once that this was a plastics reprocessing plant that turned scrap into all sorts of useful articles, and that was also able to remake plastic sheeting used in agriculture. The plant looked a little familiar, and I remembered that in 1984 I had seen such a factory in Gengche Township in Huaiyin City, Jiangsu. I heard that the Gengche factory had grown quite large later on to become the industrial center for salvage materials in northern Jiangsu. It was rather famous. Thus, I felt that the two places had something in common. They were beginning to go from an undiversified agricultural economy toward the first step of industrialization. They were beginning with low-cost scrap. They were starting out with plastic shoe soles, turning them into many items the peasants needed in their daily lives. They had both raw materials and markets, so their newborn industry could easily gain a foothold. I figured for a while. Northern Jiangsu was about five or six years ahead of Yunnan. This provided me with a standard for comparing the difference in development time of the two rural villages.

On the following day, I invited the village entrepreneur who operated this plastics factory for a chat. He was the grandnephew of the owner of the residence where I had stayed during my first survey of Lu Village. His name was Wang Xingguo, and he was 30-some years old. After graduating from junior middle school, he farmed in Lu Village. There were 12 people in his family, six of whom worked. In 1979, he sold the state 6,000 jin of husked rice. He did this for three years in a row, becoming the head of a well-known influential family. He also accumulated more than 10,000 yuan. Using this capital, he organized a capital construction corps from among the village's surplus labor and went to Jinshan Town to contract construction jobs. His business developed

rather smoothly. The construction corps grew to more than 100 men. He said that he knew nothing about construction in the beginning, but that he learned through practice, and that later on he was able to design and build four houses. He was a self-made man.

The capital construction corps received wages on the basis of hours worked and the difficulty of their labor. His cash surplus mounted. He thought that if he divided it up among all the workers, it would soon be all spent. It would be better to use this money to take a trip to widen his horizons. Later on, he bought the equipment needed to make popsicles, and he built a new building at the entrance to the village where he operated a cold-beverage store. He and his wife made popsicles at night, which they distributed to peddlers the next morning for sale at the entrance to several nearby schools. His wife ran this plant from which she earned an income of more than 10,000 yuan a year. Later on he found an acquaintance from the Kunming Plastics Factory. He was hooked. He bought the machinery, and he began to operate this plastics factory that did several hundred thousand yuan worth of business each year.

After 10 years of tempering, he had changed from a peasant into an entrepreneur who had left agriculture. Since his newly built home contained more than 10 "appliances," including an oven and a washing machine, the villagers called him the "minister of 10 appliances." He became a person who attracted the peasants' attention. As a result, he felt ill at ease. He wanted to expand the enterprise, but he feared that policies might change. Once he became famous, he moved out of his father's house, fearing that should the day of reckoning come, his family might be dragged in. He also turned the capital construction team over to his younger brother to operate, devoting himself to the plastics factory. In 1989, he noticed that business was rather brisk in Jinshan Town, which was located at the intersection of the Sichuan-Yunnan Railroad and the Yunnan-Burma Highway, so he rented a building in the town to operate as a hotel. He is really a man of vision and daring who is shrewd and knows how to get along with people. He is an entrepreneur. Nevertheless, he has still not eliminated the conflicts he feels. In conversation with me, he said repeatedly that he wanted to turn the plastics factory over to the village collective for operation. He could be a manager; he did not want to be the boss. He also said the popsicle plant was enough to support the family; he wanted to turn everything else over to public operation. Possibly his is a common state of mind of a peasant entrepreneur when he first starts out. Actually, it shows that they are new at private enterprise, and that the atmosphere throughout society is one of suspicion about taking this road. Such talented people are lacking among the grassroots cadres in Lu Village, and collective enterprises have not prospered. Such a person is very conspicuous.

A standout like Wang Xingguo is one of a kind in Lu Village, but family industrial sideline enterprises have generally prospered there during the past 10 years. Total

village income was reportedly 180,000 yuan in 1982. In 1985, it was 370,000 yuan, and in 1989 it was 1.23 million yuan. For it to double in five years in terms of comparable value is entirely believable. The setting up of collective enterprises is still awaited. By comparison with Jiang Village in southern Jiangsu, Lu Village is more than 10 years behind the time.

### III

When I reached Lufeng, I proposed going to Yi Village, which has now become a part of Lufeng. I knew that in 1983 Comrades Qian, Shi, and Du found this village that we had surveyed and had surveyed it themselves, publishing a survey report in 1985. However, the problem was that there was no highway to Yi Village, and the closest road to the village was a three-kilometer-long mountain road. At my age, I cannot easily walk such a distance, but I still wanted to find a way to take a look personally. Several days before we decided to set out, a heavy rain fell. These three kilometers of mountain road became a barrier difficult to surmount. After discussion, it was decided that I would be able to go by car only to a nearby small town called Chuanjie. In addition, I would invite some old people from Yi Village who knew me to come to Chuanjie for a chat. This was a way of showing my feelings when I was unable to call at their homes to express my regards.

Luckily, Comrades Qian, Shi, and Du accompanied me, and through them I was able to understand something of the changes that had taken place during the 40 years between the early 1940's and the early 1980's. The account given below is based on data they provided.

The history of economic changes that have taken place in Yi Village during the past 40 years is a repetitious one. The three comrades Qian, Shi, and Du characterized them as "three ups and three downs." The situation I portrayed above during the early 1940's was during the first period of prosperity in Yi Village. At that time, native paper from Yi Village was delivered for sale in the streets of Yaoan, Chuxiong, and Lufeng, and the village had many workshop owners who got rich. During land reform, 14 households were designated landlords and rich peasants. This was 30 percent of all households in the village, and all of them were connected with the paper workshop industry.

The first decline was attributable to natural disaster. Cholera broke out in 1942 and many deaths ensued. The population declined. In 1939 there were 54 households, totaling 236 people. Ten years later, immediately following liberation in 1950, there were still only 48 households, totaling 241 people. During this period, both the land and the bamboo groves were as they had been, and the number of native paper workshops increased. By decline was meant mostly a decline in population and insufficient labor. During land reform, the land was reapportioned. The landlords in Yi Village never did own much land in the village, but they owned large

amounts of land outside the village, approximately two-thirds of it. Therefore, because of the large numbers of people and the small amount of land, during land reform 54 people from eight landlord households were moved to other villages. Those remaining in the village each received 1.3 mu. With a rise in peasant zeal for production, the grain harvest was somewhat more than 600 jin per capita. The village was self-sufficient in grain. Industrial sideline occupations like native paper making and the weaving of bamboo utensils were unaffected. The combination of agriculture and industrial sideline occupations made Yi Village a wealthy village at that time. The old folks in Yi Village said these were two good years.

In 1958, people's communes were founded, and between 40 and 50 people were transferred from other villages to Yi Village to "develop" the bamboo-weaving industry. They lived in and obtained food from Yi Village. They actually increased the population, but these new hands knew nothing whatsoever about handicrafts. The quality of the bamboo utensils they wove fell, hurting sales. During the Great Leap Forward, they wove utensils any which way in order to "launch a satellite." They recklessly cut bamboo, despoiling their raw materials. Within slightly more than half a year, they cut down bamboo sufficient to meet the needs of Yi Village for five or six years, and the bamboo utensils they wove simply could not be sold. Rejects piled up to become a mountain. Because of the desire to promote the use of threshing machines, higher authority prohibited the use of Yi Village's most renowned and most valuable bamboo winnowing baskets, so their production was halted. As a result, Yi Village's economy entered its second period of decline.

Following a change in central government policy in 1962, Yi Village was divided into two production teams and production revived. As a result of the disbandment of collective messhalls, every household needed kitchen utensils, so sales boomed. The order banning winnowing baskets was also rescinded. There was great joy in the markets, and prices shot up from 30 to 70 yuan. Yi Village then organized 30 or 40 people especially to make bamboo utensils. Quality improved, and the utensils ranked first in comparison with others. In the process of readjusting production, many of the township and village native paper workshops stopped running. From 1960 through 1964, the supply of native paper could not meet demand, and prices also rose. Two native paper workshops remaining in Yi Village that had not stopped operations gained an advantage. This was the third period of economic prosperity in Yi Village. In 1964, the village had 63 households, totaling 246 people. Grain production was 500 jin per capita, and income was 132 yuan per capita. Income from industrial sideline occupations accounted for 61.9 percent of the village's total income, surpassing agriculture. This was the best year for cash income since creation of the communes.

Good times never last long. In the early 1970's we started "taking grain as the key link," and returned to the path

towards an undiversified economy. The effect on the economy of places like Yi Village that depended on industrial sideline occupations was particularly severe, thus the village entered a period of decline. In 1980 when Yi Village instituted the output-linked contract responsibility system, only the fields were contracted to households. The bamboo groves were not simultaneously contracted to households. Hankering for immediate gain, the masses took advantage of the fact that the bamboo groves were publicly owned rather than contracted, and descended on them in droves to cut them down. All the bamboo that could be cut to make utensils was cut and utensils made for sale. Bamboo that could not be used for making utensils was carried off to Chuanjie City and sold. What could not be sold was used to weave fences to contain chickens and hogs or else piled in front of people's doors to be used for firewood. Men, women, the old, and the young all took part. In little more than a month, the bamboo groves that their forefathers had retained for many years were completely dug up. By the time that the cadres got around to intervening, little remained of the dense bamboo groves that formerly lined both banks of the Luye Jiang at Yi Village. The bamboo groves had actually been the lifeblood that permitted the revival of Yi Village after several declines. This was the raw material base for the village's handicraft industry. The destruction of the groves had far-reaching effects. The native paper making workshops fell idle and have not revived to this day. Old hands at weaving bamboo had to buy from markets at a high price the raw materials they needed to weave bamboo utensils. They could not earn much money. Some could only go to villages that had bamboo groves to help weave utensils. It was too late for regrets. The regrowing of a new dense bamboo grove is not something that can be done in a short period of time. Because of my age and the rainy weather, I was unable to go beyond Chuanjie. I could not see with my own eyes the present look of Yi Village. Several old people came to Chuanjie to see me. We said a lot we had said before, but little that was new. According to them, the population of Yi Village is now 333 people in 69 households, just two people more than the 1984 population of 331. They did not know why.

I asked them what changes there were in Yi Village today compared with the year we made the survey. They thought for a while, then said that the big waterwheel beside the river is gone. The big waterwheel was a large flywheel waterwheel made of bamboo that they used to raise water from the river for irrigation. The red river water, the dark green bamboo grove, and scores of round waterwheels were what we really felt to be extremely appealing features of Yi Village in those days. About 10 years ago, Yi village was wired for electricity, so now electric pumps are used to pump water and the waterwheels have been phased out.

I asked them about their livelihood. At first they all said that reliance on the party's policies was good. Things were now much better. They went on to say that probably more than 10 families still had not solved the

problem of sufficient food or clothing. These more than 10 families accounted for one-seventh of the families in the entire village. From the looks of these old people's clothing, I gathered that these people's standard of living had not changed much. After I returned to Beijing, one of these old people wrote me a letter asking me to help him apply for government assistance. He probably belonged to one of these more than 10 needy households.

Since I remembered that when we did our survey, their village was very crowded, I asked them how it was now. They said that during the past 10 years, 30 families had built new houses for a total of 70 rooms or so. This was to say that the living conditions of approximately more than half of the families had had improved.

When I asked them what they needed, they said that the primary school building in the village had been classed a dangerous building, so now they could hold classes only in a private home for the time being. They hoped the school building could be repaired soon.

I gathered that agriculture has developed in Yi Village, particularly the growing of tobacco during the past several years, which has earned money. However, the Luye Jiang is polluted to such an extent that local rice seedlings will not grow. The people have to bring rice seedlings from elsewhere for planting, and sometimes they have to replant two or three times before they survive. Corn does not sprout easily either, so they want a reservoir to be built. More serious, the bamboo grove has not seem to have recovered. To this day local paper-making workshops have not reopened, and the weaving industry is stuck at the level it was in former years. Only 20 people or so regularly weave bamboo, and the products they weave are the old ones they always wove. Techniques have not changed. In addition, transportation has not advanced very much. There is still no highway running to the village. This is the main obstacle to development.

After a gathering during a very short half day, I had only an indirect impression of Yi Village. In remote mountain villages like Yi Village, when use has been made of their advantages in bamboo grove specialties, the peasants have had a fairly good life. Later on, when for various historical reasons, their raw materials bases are destroyed, it is not easy to revive the sideline occupations on which improvement of their standard of living depends. It will obviously not be easy to make these villages prosper through reliance on farming alone.

The warmth of the elders of Yi Village was moving. These several old men were youths during those years. They still remember our activities in the village back then. One man said that I had given him some "foreign candy." When he returned home, his father cursed, saying that "foreign candy" is not fit to eat. For such a small remote mountain village to be able to use pumps to irrigate the fields and electric lights for illumination after half a century must be considered an extremely great



advance considering where the village started. However, by comparison with the outside world, the gap has widened.

#### IV

Since the conditions in these three Yunnan villages differ, there are differences in their development. Yi Village is the most remote. It still has no highway leading to it. In the tortuous process of development, it severed its own lifeline by losing its raw materials base. Not only does it not have the industrial sideline occupation foundation for getting ahead that it formerly had, it is also backward by comparison with other rural villages. Although Lu Village likewise lost some of its former advantages during the past several decades, such as the loss, due to the development of highway transportation, of its position as a salt hauling post where travelers rested and changed horses, it has adapted fairly quickly nevertheless. It relied on the development of Jinshan Town, large numbers of the work force finding useful employment through organization of capital construction teams. It has accumulated capital and trained talent to begin advancing in the direction of individually operated small processing industries. Though still in the pioneering stage, at least it has taken the first step.

The place that has changed most is Yu Village. On this visit, we were unable to find the former village we surveyed. The main reason for this, it is true, is that at that time I did not personally do on-the-ground survey work here, as well as because I have now forgotten the name of this village. Unfortunately, Comrade Zhang Zhiyi, who conducted a penetrating survey here at that time, has passed away. Nevertheless, that no one in the numerous nearby villages remembers our survey may hold meaning for the changes in this region's rural villages. It is clearly different from Lu Village and Yi Village. In Lu Village and Yi Village, we met people we knew, and many of the people in the villages remembered our names. We had no such opportunity in Yuxi. The Yuxi area changed very greatly. In the villages all around, an extremely small number of the old houses remain. Its appearance has changed, and the people are different too. As I put it, "the local flavor" has been watered down a lot. The old events of 50 years ago have not left very much impression in the surging flow of time.

Today, Yuxi is one of the country's cigarette industry centers. The Red Pagoda brand cigarettes that the Yuxi Cigarette Factory produces stand in the first rank among domestic name brands. The gross output value of the city's industry and agriculture is 4.97 billion yuan each year, of which 3.72 billion yuan comes from industry (2.39 billion yuan from cigarettes). The ratio of industry to agriculture is 8 to 2. This is outstanding in Yunnan and also a rarity nationwide.

The rapid growth of Yuxi's industry is bound to affect villages all around. In agriculture, flue-cured tobacco has become an important cash crop, output of suburban

villages reaching 56.36 million kilograms in 1989, up fivefold from 1980. The rise of large industry also sparked the rise of township and town enterprises. We toured a factory that manufactures paper from the Chinese cypress. Chinese cypress paper is used in making filters for cigarettes. It is a product directly associated with the cigarette plant. In 1989, the output value of Yuxi City township and town enterprises was 697 million yuan. This was one-half of the city's industrial output value, the output value of the cigarette factory excepted. These township and town enterprises are spread among the rural villages surrounding Yuxi City, and they are changing the look of rural villages. Villagers working in industry number 153,000. Peasant per capita income is 937 yuan, up 3.5-fold from 1980.

One can see from the figures we have presented that great changes have taken place in the rural villages of Yuxi during the past 10 years. Unfortunately, our visit was too short, and we did not find the village that we had originally surveyed. I cannot say a great deal about changes in Yu Village. I only hope to have a future opportunity to do a survey in Yuxi City and its surrounding rural villages to gain a deeper understanding of the effect of the development of rural industry on rural villages. Right now I can only say that even if I cannot get this survey opportunity in my life, I believe that there will be others who will carry on.

#### Document Reveals Inefficient Public Security System

91CM0286A Hong Kong CHIUSHIH NIENTAI [THE NINETIES] in Chinese No 253, 1 Feb 91 pp 76-77

[Article by reporters Ho Ping (0149 1627) and Chang Su-tang (1728 1372 1016): "Mainland Public Security System in Confusion, Internally Corrupt—A Speech by Deputy Public Security Minister Gu Linfang"]

[Text] (Editor's note: This article, originally carried by the Chinese Communists in the No. 27, 1990, issue of the "secret" "Internal Selections," is the report on recent public security work and the social situation by Deputy Public Security Minister Gu Linfang [7357 2651 2499] to the Standing Committee of the National People's Congress [NPC]. The original title was "The Reasons Why the Social Order Situation Is Not Yet Basically Good." The official Chinese Communist view in the report on the objective factors influencing public security on the mainland revealed for the first time that public security staff numbered 760,000 and mentioned that "the serious situation in social order may continue for some time." The subtitle was added by the editors of this journal.)

NCNA When Deputy Public Security Minister Gu Linfang delivered his report on recent public security work and social order to the Fourth Session of the Seventh NPC Standing Committee on 25 June he analyzed in some detail the objective reasons why the social order situation could not yet fundamentally take a turn for the better.



Gu Linfang asked why the social order situation has not yet been able to fundamentally take a turn for the better, though in the past few years we have stressed our work and the public security forces have been in a state of heightened awareness throughout. We recognize that there are subjective and objective reasons for this.

He said that from the subjective perspective, although there have been great accomplishments in public security work in the past few years, in general it has been far from suited to the demands of the new situation. There are the following main problems:

#### **Inadequate Knowledge, Inadequate Means**

- Research and exploration of the new situation of adapting to reform and relaxation and upholding and developing the excellent traditions of the mass line have been inadequate. We have not yet come up with some successful experience in the new situation in mobilizing and relying on the broad masses to improve social order, and thus the grassroots level foundation work of public security is unusually weak. The mass concept of some comrades, and even some leadership comrades, is very hazy. Some comrades one-sidedly think that the key to engaging in public security work under the new situation is only a matter of modernizing equipment and methods, and they ignore the magic weapon of the mass line. Some young comrades, in particular, lack understanding of the traditions of public security work and do not comprehend and are poor at mass work. Grassroots political power and grassroots organizations in some localities now are weak and lax, so that it is also much harder for public security agencies to mobilize the masses now so the mass lookout in many places and measures to safeguard public order cannot really be put into effect.
- The seriousness and complexity of the public security problems under the situation of reform and relaxation are inadequately understood, the long-term nature and hugeness of readjusting public order are underestimated, and there is impatience for success in concrete work. A few years ago we thought that the crime rate would be brought under control after several intensive rectification and "severe attack" campaigns and that social order would rapidly take a fundamental turn for the better. Practice proves that severely attacking serious crimes and criminals in line with the principles of coming down hard and fast in accordance with the law was absolutely necessary. However, just relying on attacks was far from enough.

#### **Systemic Disorder and Internal Corruption**

- The existing public security system is unsuitable. The current public security system is very chaotic: There are the state public security agencies, there are the public security agencies of the Ministries of Railways, Communications, Civil Aviation, and Forestry, there are also the public security agencies of the industries and some grassroots levels also have contract civil

police, etc. There is no uniformity in the nature of staffing, agency setup, funding channels, and supply standards among the police forces, thus it is fragmented, relationships are not in order, and this is not good for unified management, command, and maximizing usefulness.

- Public security forces are not suited to the demands of the situation. China currently has 760,000 public security cadres and police, fewer than seven per 10,000 people, and all types of police force are seriously inadequate. Nationwide there are still over 30,000 rural areas and townships that should establish public security substations but haven't. The substations established by rural areas and townships generally have only one or two policemen, which is not at all adequate for their tasks. Although nationwide public security forces are generally good, the political and professional character and the law enforcement levels of some cadres and police are not very high. They do not have much ability to administer public security and investigate and solve cases, many major cases cannot be solved quickly, and thus criminals cannot be attacked promptly and forcefully. Because they have been influenced by negative and corrupt ideology and incorrect work style, a few public security cadres and police use their authority for their own gain, violate the law and discipline, encroach on the lawful interests of the masses and even sink to becoming criminals and damage the reputation of public security agencies and the people's police. Within public security agencies there are also decentralist and bureaucratic phenomena, which has an impact on work. Public security cadre and police work is arduous and very dangerous but the position and compensation are low and this has to some degree influenced the stability of the ranks and the positive feelings of the cadres and police. The leadership cadres of many grassroots-level public security agencies are deeply aware that now the ranks are hard to lead and the work is hard to do.

#### **Funding Is Inadequate, Equipment Is Out-of-Date**

- Inadequate funding for handling cases and out-of-date equipment are also longstanding problems.
- Gu Linfang believes that, objectively speaking, the public security problem is a complex social problem and a comprehensive reflection of various negative social factors.

- China is now in the early stages of socialism so the level of establishing a spiritual culture and material culture is not very high and there are still many imperfections in the socialist economic foundation and the superstructure. The class struggle will continue to exist within a certain range and under some conditions may even intensify. This means that for a long time in the future China will have the complex historical, social and class sources that engender crime.

—Intensifying reform unavoidably adjusts and touches people's various interests and leads to an increase in social contradictions and conflicts. While mobilizing people's initiative and stimulating the development of production, the policy of developing a commodity economy and permitting some people to become rich before others has also abetted the ideology of "money is the only thing" and stimulated the pernicious growth of individualism among some people and driven some people to grab wealth unscrupulously even not hesitating to defy the law. With the growth of a commodity economy, the movement of personal effects makes criminals commit crimes to lay hands on it easily. That such property crimes as robbery, theft, and fraud have increased sharply now is a reflection of this.

#### Outside Factors Cannot Be Ignored

—After carrying out opening up to the outside world, Western bourgeois corrupt and decadent ideology, culture, and lifestyle also seized the opportunity to invade and seriously poisoned and corroded the broad masses, especially young people, so that some people who had been severely infected took to a life of crime. The permeation and destruction by international criminal organizations, antagonistic forces abroad, hostile elements and the underworld has intensified and become an external factor inducing crime.

—In recent years, the unemployed have increased in China, and a few among them who have weak ideas about the law have slid toward crime.

—Now, the management functions of some grassroots-level units and organizations have not yet developed, political and ideological work is weak, and some enterprises stress only production but overlook safeguarding management and security work, and this has greatly increased opportunities criminals can exploit.

—The policy of carrying out overall administration of social order in line with the principle of "whoever is in charge is responsible" has been around for many years, but in some localities and units it has never been well established. Many tasks that the departments and units should have done to prevent crime, ameliorate contradictions, and reduce unstable elements have not been done. These tasks cannot be done by the public security agencies alone.

Gu Linfang believes that in view of the subjective factors influencing public order, it will be very difficult to make short term fundamental changes and thus the grim situation in social order may continue for some time, and we should make full ideological preparations.

#### Development of Postdoctoral Education System

91CM0332A Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 13 Feb 91 p 4

[Article by Zhuang Yi (8369 3015), director, Office of Specialists, Ministry of Personnel, and member,

National Postdoctoral Committee: "Important Measures for Developing High-Level Talent; Creation and Development of China's Postdoctoral System"]

#### [Excerpt] [passage omitted] II. Main Features and Development of China's Postdoctoral System

The establishment and growth of China's postdoctoral system has the following four characteristics:

1. The Chinese Government's investment initiative and organizational measures.

During the early period of the pilot postdoctoral centers, the state appropriated 10 million yuan in capital expenses and constructed a group of apartments for postdoctoral fellows. Depending on the number of postdoctoral fellows recruited, several million yuan were appropriated annually for their daily expenses (8.24 million yuan in 1990) to support the research work of the postdoctoral fellows. In addition, a special appropriation of 20 million yuan renminbi (equivalent to \$2 million) established a postdoctoral science fund, the interest and other earnings from which serves as a scientific research fund to select and support postdoctoral fellows.

The Chinese Government takes postdoctoral system work very seriously. In the beginning it clearly explained and stipulated the basic goals and policies for implementing this system. It formed the current National Postdoctoral Scientific Research Center Management and Coordinating Committee made up of famous scientists and leaders from the Ministry of Personnel, the State Science and Technology Commission, the State Education Commission, and the Chinese Academy of Sciences so that the work would be carried on smoothly through establishment, readjustment and improvement. The administrative body of this committee is currently in the Office of Specialists in the Ministry of Personnel.

2. Unified planning and gradual growth.

In line with the needs of national science and technology and educational development, and taking into consideration the development in various disciplines and regions, we unified planning when establishing the postdoctoral centers and brought together high-level and promising domestic specialists, and, based on the principle of "volunteerism and selectiveness" and the conditions of establishing the centers, we established 161 postdoctoral centers at research agencies and institutions of higher learning that had good scientific research conditions and a good scholarly atmosphere. These centers are distributed in 21 large and medium-sized cities throughout the country.

To date, the units and course-work (top-level course-work) at which the centers have been established account for about one-third of the units that grant doctorates in China, and they account for one-fifth of all doctorates granted. In the past five years, the postdoctoral researchers recruited have increased year by year. Already 935 postdoctoral researchers have worked at the

centers, their average age is 32, and approximately one-third of them earned their doctorates abroad.

3. Formulated a series of special policy stipulations.

Since China launched the pilot project postdoctoral centers, we have drawn up 27 policy documents, including a postdoctoral center admission application method, wages and benefits, residence standards, provisions for dependents, application for and use of postdoctoral funds, evaluation of job titles, and work arrangements for those leaving the center, and so on. Not only do these suit China's national circumstances, they also have smashed conventional special policy stipulations, ensured the regular growth of all postdoctoral work, created an excellent work environment and living conditions for postdoctoral fellows, and improved and explored new paths for the personnel and cadre management system.

4. Fully mobilize the initiative of all areas.

Because China's postdoctoral system has demonstrated efficient coordination, great flexibility, and grassroots-level service in management, units with centers and some local areas now have fairly high positive feelings towards implementing the postdoctoral system. Many units, with the support of their upper level departments in charge and local governments have built and provided residences for a large number of postdoctoral fellows. Some units have raised funds from a variety of channels for postdoctoral expenses and far exceeded the state's investment.

### III. Achievements of the Pilot Postdoctoral System

1. Some high-level outstanding young science and technology talent is beginning to appear. We are now conducting a survey of 185 postdoctoral fellows who have left the center. Most of them have been appointed or proposed for appointment to high-level specialized technological posts by the units that accepted them. Seven of them were directly appointed as professors or researchers. After a period of time of training in independent work some postdoctoral fellows have revealed intelligence and wisdom and some have already or are about to become the new leaders in their disciplines.

2. The great successes of postdoctoral fellows in scientific research work.

The results of our survey of the scientific research work of 261 postdoctoral fellows who had entered the centers earlier demonstrate that they have undertaken or taken part in 414 national Seventh Five-Year Plan key science and technology projects, high-level technological research, state basic scientific research, provincial ministry-level key science and technology projects, and very exploratory cutting-edge science projects, and most have obtained encouraging results. According to incomplete statistics, they have published 748 articles in high level

international and domestic journals and 19 have won national-level or ministerial- and commission-level S&T awards.

3. It has promoted circulation of talent and scholarly exchanges and made it easy for returned doctorates to choose suitable work units.

The postdoctoral center stipulates that a doctorate holder trained in one unit cannot be a postdoctorate in the same discipline in the center of that unit. Those in their second period of postdoctorate work must also move to another unit's center. In this way, postdoctoral fellows come from different institutions of higher learning or scientific research agencies, they provide to the unit that establishes the center new scholarly thought, viewpoints, work methods, and scientific research styles, and they inject new vitality to the center's unit so that they have a broad selection and many advantages and promote the development of research work.

The postdoctoral centers are also a good transition for doctorate holders after they return to China to obtain a work post that is able to fully exploit their specialities. Returned doctorate holders say that their universal anxiety is that, after they return to China, they will be assigned to a unit that cannot fully exploit their role and that it will be difficult to develop their work. The establishment of the postdoctoral centers eliminated this anxiety for them and at the same time created excellent working and living conditions for them. This is an important reason why a substantial number of returning doctorates wanted to join a postdoctoral center first after returning to China. According to statistics, among the returning doctorate holders in the past few years, there were 181 who wanted to engage in scientific research and high-level education work joined a postdoctoral center. This number that joined the center makes up about 40 percent of the total number of doctorate holders who studied abroad and returned to China. [passage omitted]

### Social Development in Provinces Compared

91CM0345A Beijing ZHONGGUO SHEHUI BAO  
in Chinese 15 Feb 91 p 3

[Article by Zhu Qingfang (2612 1987 5364): "Comparison and Evaluation of Levels of Social Development"]

[Text] In order to improve on the one-sidedness of evaluations that use only economic indices, we have used a method which integrates experience and consultations with experts, and determined 46 major socioeconomic indices, constituting an index system. Using a comprehensive evaluation method, we carried out an integrated and scientific appraisal of each districts' level of social development, and we obtained scores for each district, which were then ordered. During the evaluation, we noted development conditions which reflected economic and social harmony, and used human-centered judgment criteria. The overall index used relative numbers, such as proportions, per capita averages, and per

worker averages. Using the integration of 46 indices to reflect the overall level of social development, we divided the whole into five systems: social structure, population quality, economic efficiency, quality of life, and social order. Harmonious development is reflected in the comparison of each system.

The level of each district's social development in 1989 was compared and evaluated. The list at the end of this article includes the overall scores and an ordering of scores in each system for each district's level of social development.

According to the overall scores, the first 10 positions nationwide are: Beijing, 84.6; Shanghai, 83.6; Tianjin, 81.5; Liaoning, 70.2; Jilin, 65.7; Guangdong, 63.25; Heilongjiang, 63.15; Jiangsu, 62.25; Zhejiang, 61.9; and Hubei, 58.35. At the bottom were Guizhou, 36.3; and Tibet, 35.2. There was a 2.4-fold difference between the highest and lowest scores.

Based on overall scores, the regions were divided into four levels: the first level is 80 or more points, and includes Beijing, Shanghai and Tianjin. The second level is between 60 and 70 points, and includes Liaoning, Jilin, Guangdong, Heilongjiang, Jiangsu, and Zhejiang. The third level is between 50 and 60 points and includes Hubei, Shandong, Hebei, Fujian, Shanxi, Xinjiang, Inner Mongolia, Shaanxi, Henan, and Ningxia. The fourth level is below 50 points, and includes Qinghai, Hunan, Gansu, Anhui, Jiangxi, Sichuan, Henan, Guangxi, Yunnan, Guizhou, and Tibet.

Looking at the integrated indices, one can see that large disparities exist among regions:

1. Social structure. This is composed of eight components: the proportion of tertiary-industry workers; the proportion of nonagricultural workers; the proportion of mental workers; the proportion of the nonagricultural population; the proportion of the population enjoying social safeguards; the proportion of social investment; the city and town employment rate; and the proportion of exports in the gross national product. The standard is 20 points, and the overall national average is 12.7 points. Shanghai, Beijing, and Tianjin are the highest, at 18.3, 18.2 and 17.4 points respectively. Liaoning, Jilin, Heilongjiang, and Guangdong range from 16.4 to 14.3 points. Hainan is also above the average level, while Xinjiang, Hubei, Shanxi, Guizhou, Tibet, Guangxi, Henan, Sichuan, Yunnan, Anhui, Hunan, and Gansu range from 5.9 to 9.7 points. In terms of each item within the index, Beijing had the highest proportion of tertiary-industry workers, with 41.1 percent, Guizhou was the lowest, with 11.2 percent, while Yunnan and Sichuan were at 12 and 13 percent respectively. Beijing, Shanghai, and Tianjin were all above 20 percent in the proportion of mental workers; the three northeastern provinces of Inner Mongolia, Ningxia, and Xinjiang were above 10 percent; and the rest were below 10 percent, with Tibet and Guangxi the lowest, at 3.1 and 3.6 percent respectively. In terms of proportion of

exports, Shanghai, Tianjin, and Guangdong were the highest, with more than 22 percent, while proportions in the northwest and southwest regions only came to roughly 6 percent.

2. Population quality. This is composed of the following eight components: average life expectancy; the population's natural growth rate; proportion of the population with a junior high school or higher education; the number of university students per 10,000 residents; education spending per capita; the number of scientific and technical personnel per 10,000 employees; the number of doctors per 10,000 residents; and the outlay for scientific research per capita. The national standard was 18, with a real average value of 11.3. Beijing, Shanghai, and Tianjin were the highest, with 17 while Liaoning, Jilin, Shaanxi, Jiangsu, and Zhejiang were also above average. Anhui, Tibet, Guizhou, Henan, Yunnan, and Jiangxi scored between 7.1 and 7.8. Looking at the components in the index, the areas with lowest natural population growth rates were Shanghai, with 0.59 percent; Beijing, with 0.72 percent; and Zhejiang, Tianjin, and Liaoning, with 0.88, 0.90 and 0.94 percent respectively. The highest rates were in Xinjiang, with 2.08 percent, and Ningxia, with 1.9 percent. Hainan, Anhui, and Fujian were also above 1.7 percent. For the proportion of the population with a junior high school or higher education, the proportion was higher in Beijing, Shanghai, Tianjin, Liaoning, Jilin, Heilongjiang, Jiangsu, Zhejiang, Shaanxi, Inner Mongolia, Shanxi, Hebei, Hubei, and Xinjiang. It was lowest in the southwest provinces and Qinghai. For the number of scientific and technical personnel per 10,000 employees, Beijing had the highest number, with 1,494 people. Hainan and Guangdong had the lowest. The northwest and southwest provinces, with the exception of Xinjiang and Tibet, all had numbers above 1,000. Except for Beijing, Shanghai, and Tianjin, every province averaged between 12 and 20 doctors per 10,000 residents. Anhui and Guizhou had the lowest number, 11 [as published].

3. Economic efficiency. This is made up of the following nine components: per capita national income; the social labor production rate; industrial enterprise and rural enterprise capital profit and tax rates; fixed asset utilization rate; local revenues per capita; and the total value of rural social output and grain supplied by each agricultural laborer. Because of the market slump in 1989, factories operated below capacity, reducing economic efficiency: the national standard was 18 points, while the real average was 10.2 points. Beijing, Shanghai, and Tianjin had the highest rate, at 15.4, 14.8, and 14.1 respectively. Liaoning, Jilin, Heilongjiang, Jiangsu, Zhejiang, Fujian, Guangdong, Xinjiang, Shandong, and Hebei had rates above 10, while the lowest were Guizhou and Tibet, at 5.7 and 5.5 respectively. Shaanxi and Sichuan had 6.7 and 6.5 respectively. Looking at the components of the index, for per capita national income, Shanghai had the highest, at 4,624 yuan; Beijing and Tianjin had 3,180 and 2,759 yuan respectively; Liaoning had 2,003 yuan; Guangdong had 1,732; Jiangsu and

Zhejiang had more than 1,600 yuan; and Guizhou had the lowest, only 630 yuan, 730 percent lower than Shanghai. Yunnan had the highest industrial enterprise capital profit and tax rate, with 35.4 yuan. Shanghai was second, with 27.6 yuan; and Tibet and Qinghai were the lowest, with 6.3 and 8 yuan respectively. The capital profit and tax rate of rural enterprise in developed areas was lowest in Jiangsu, with 8 yuan; in Shanghai, Zhejiang, and Guangdong it was around 10 yuan; and in regions where rural enterprises were not very well developed, such as in Shandong, Henan, Guizhou, and Ningxia, it was 14-19 yuan. The total value of rural social output generated by each agricultural worker was highest in Shanghai, Tianjin, and Beijing, at 14,000-13,000 yuan. Next were Liaoning and Jiangsu, at approximately 7,000 yuan. The lowest were Guizhou and Yunnan, at 1,300 yuan. The lowest value was 11-fold lower than the highest.

4. Quality of life. Some 16 indices were selected, including residential consumption, income, food and clothing expenses, prices, and handling of the "three wastes." The national standard was 34 points, while the real national average was 18.35. The indices for Shanghai, Beijing, and Tianjin were 27.5, 27.1, and 26 respectively, while Guangdong, Liaoning, and Zhejiang all had 21. Guizhou was the lowest, with 10.6. Looking at the individual components of the index, city and town residential per capita income was the highest in Guangdong, Hainan, and Shanghai, at around 1,900. It was lower, between 1,000 and 1,100 yuan in the northwest, southwest, and in Henan, Jiangxi, Jilin, Heilongjiang, and Shandong. Peasants' per capita net income was highest in Shanghai, Beijing, Tianjin, and Zhejiang, between 1,000 and 1,300 yuan. Gansu and Tibet had the lowest, with 366 and 397 respectively. Guizhou, Yunnan, Shaanxi, Qinghai, Henan, Guangdong, Inner Mongolia, and Sichuan had about 400 yuan. For the rate of handling the "three wastes" and the proportion of the population benefitting from rural improvements in drinking water conditions, Beijing, Shanghai, and Tianjin had the highest rates, at over 6 points, while rates in the northwest, southwest, Henan, and Inner Mongolia were lower, at around 3 points.

5. Social order. The following 6 indices were selected: the discharge rate of major, important cases to all criminal cases; the proportion of juvenile offenders; the rate of occurrence of public security cases; the traffic accident mortality rate; the fire incidence rate; and the industrial accident mortality rate. The national standard was 10 points, while the real average was 7. Shandong and Hebei had 9.2 and 8.8 respectively, while Anhui, Henan, Gansu, Jiangxi, Jiangsu, Inner Mongolia, and Tianjin were between 7 and 8.7 points. Xinjiang and Qinghai had 2.7 and 3.9 respectively. For the traffic accident mortality rate based primarily on highway transport, Tibet and Qinghai both had at a rate of more than 10 per 100,000. Xinjiang and Ningxia had more than 8 per 100,000.

6. Degree of socioeconomic harmony. This used per capita national output value to represent the level of economic development, and a 46-index, integrated point system to represent the level of social development. It used linear regression calculations to develop a social development modulus for each region at a certain economic level, and compared this modulus with the level of social development, taking this to be the relative degree of harmony. The results of the calculation are as follows: A. Regions with a relative degree of harmony of 5 or above were Jilin (11.2), Liaoning (8.3), Tianjin (7.6), Heilongjiang (7.4), Hubei (5.9), and Hebei (5.7). B. Those with a relative degree of harmony, between 2 and 4 points were Shandong (4.4), Shanxi (3.7), Jiangsu (3.6), Zhejiang (3.3), Fujian (2.7), Shaanxi (2.4), Guangdong (2.2), and Inner Mongolia (2.0); C. Those areas with a negative number for the relative degree of harmony were Tibet (-15.2), Shanghai (-13.8), Yunnan (-6.1), Henan (-5.1), Guangdong (-5.0), Qinghai (-3.9), and Sichuan, Jiangxi, and Anhui (-3). The other provinces had degrees 1 and -1. A negative number means that in these regions, the level of social development is slower than the level of economic development, and the lack of harmony between the two levels is more acute.

7. The relationships between each of the individual components of the integrated index. Looking at the real point value of the five indices for each region, in most of the regions, if they have a rational social structure and a comparatively high-quality population, then the economic efficiency and quality of life are comparatively high. If the opposite is true for the former, then the latter will be low. For example, Beijing, Shanghai, Tianjin, Liaoning, Jilin, Heilongjiang, Guangdong, Jiangsu, and Zhejiang had a comparatively harmonious mutual relationship between each of the indices, while for Tibet, Guizhou, Yunnan, Guangxi, Hunan, and Sichuan the relationships were not very harmonious. There was a substantial contrast between the quality of life index and the economic efficiency index. Most of the regions had a quality of life level that was much higher than the level of economic efficiency. For example, using linear regression to calculate the degree of harmony for these two indices, economic efficiency in Beijing, Liaoning, Jilin, Heilongjiang, Jiangsu, Shandong, and Fujian is higher than the quality of life level. In Guangdong, Zhejiang, Shanghai, and Tianjin, because recent increases in economic efficiency have not been rapid or have dropped, while the quality of life has stayed at a comparatively high level, the degree of harmony is quite low, and the level of quality of life is higher than the level of economic efficiency. In Shaanxi, Ningxia, Qinghai, Sichuan, Guizhou, and Tibet, which have relatively low economic efficiency, the quality of life remains higher than the level of economic efficiency.

For the relationship between the social structure, the quality of the population, and economic efficiency, linear regression calculations indicate that the three are

basically in harmony in Beijing, Tianjin, Shanghai, Jiangsu, Zhejiang, Guangdong, Heilongjiang, Hebei, Fujian, and Xinjiang. In Shaanxi, Ningxia, Qinghai, Inner Mongolia, Shandong, Gansu, Jiangxi, Sichuan, Hainan, Liaoning, Jilin, and Hubei, a negative value emerged, meaning that the social structure, and quality of population level are higher than the level of economic efficiency. This is explained by the fact that there is quite a substantial latent potential for these regions to increase economic efficiency. In Anhui, Henan, Hunan, Yunnan, Guangxi, Guizhou, and Tibet, the social structure and quality of population are relatively low, which affects any increase in economic efficiency.

Controlling population growth has an important relationship to increasing the level of social development. At the end of 1989, the population exceeded 50 million in Sichuan, Henan, Shandong, Jiangsu, Guangdong, Hunan, Hebei, Anhui, and Hubei. Looking at the total national income in 1989, Sichuan, Henan, Hunan, and Anhui all ranked at the top, but in terms of per capita national income, they ranked in 20th place or lower. Xinjiang, Inner Mongolia, Ningxia, and Qinghai had total national income that were in the lower ranks, however, because their populations were smaller, their per capita income and level of social development ranked between the 15th and 20th positions.

Comparative Ordering of Levels of Social Development for Provinces and Municipalities in 1989

Ranking	Area	Overall Score	Social Structure	Population Quality	Economic Efficiency	Quality of Life	Environmental Protection	Social Order
	Standard Score	100	20	18	18	34	8	10
	National Average	59.55	12.7	11.3	10.2	18.35	4.4	7.0
1	Beijing	84.60	18.2	17.4	15.4	27.10	6.4	6.5
2	Shanghai	83.60	18.3	17.3	14.8	27.50	6.2	5.7
3	Tianjin	81.50	17.4	17.0	14.1	26.00	6.0	7.0
4	Liaoning	70.20	16.4	15.0	12.6	21.10	4.4	5.1
5	Jilin	65.70	15.1	13.1	11.4	20.00	4.6	6.1
6	Guangdong	63.25	14.3	10.5	10.6	21.45	5.4	6.4
7	Heilongjiang	63.15	14.8	10.9	11.2	19.55	4.8	6.7
8	Jiangsu	62.25	12.5	11.8	11.1	18.85	4.2	8.0
9	Zhejiang	61.90	12.2	11.5	11.1	21.00	4.2	6.1
10	Hubei	58.35	13.2	11.0	9.8	17.55	5.0	6.8
11	Shandong	58.20	10.6	10.1	10.4	17.90	5.2	9.2
12	Hebei	57.25	10.8	9.6	10.0	18.05	5.0	8.8
13	Fujian	55.75	12.2	8.6	10.7	17.65	4.6	6.6
14	Shanxi	55.45	12.9	11.1	9.0	15.85	3.8	6.6
15	Xinjiang	54.30	13.5	8.5	10.5	19.10	4.0	2.7
16	Inner Mongolia	54.30	12.6	10.7	8.6	14.90	3.0	7.5
17	Shaanxi	51.75	11.4	13.1	6.7	13.95	3.0	6.6
18	Hainan	51.60	13.6	8.2	8.2	15.00	3.0	6.6
19	Ningxia	51.15	11.4	10.0	7.8	16.55	3.2	5.4
20	Qinghai	48.90	11.5	9.6	7.5	16.40	3.0	3.9
21	Hunan	48.75	8.9	9.1	8.0	15.95	5.8	6.8
22	Gansu	47.70	9.7	9.2	7.6	13.90	3.0	7.9
23	Anhui	46.55	8.7	7.1	9.2	12.85	4.8	8.7
24	Jiangxi	45.95	11.0	7.8	7.1	12.05	3.8	8.0
25	Sichuan	44.45	7.7	9.5	6.5	14.35	4.0	6.4
26	Henan	43.85	7.3	7.7	8.3	12.55	4.0	8.0
27	Guangxi	41.85	7.1	9.4	7.2	11.95	4.2	6.2
28	Yunnan	41.30	8.4	7.8	7.3	11.90	3.4	5.9
29	Guizhou	36.30	5.9	7.4	5.7	10.60	2.8	6.6
30	Tibet	35.20	6.0	7.2	5.5	11.00	1.2	5.5

## Jiangsu Issues Aired in Provincial CPC Journal

### Local Leadership Gap Filled

91CM0317A Nanjing QUNZHONG [THE MASSES]  
in Chinese No 12, 5 Dec 90 p 31

[Article by Yang Yuchun (2799 3768 2504), party committee secretary, Liuhe County, Daoshi Township: "Great Significance of Party Meeting"]

[Text] After implementation of the payment-in-kind responsibility system in the villages, the peasants divided up responsibility for fields, independently and on their own initiative going the route of building up their family fortunes, dropping their former reliance on collectivism. The relationship between the peasants and both the organizational- and village-level cadres came close to a total break. Consequently, this little rhyme could be heard going around: I don't argue with, fight, or fear you. I'll get rich without you all the same. If I have problems, I call on you. If they're unsolvable, you're to blame.

For a time, everyone seemed to feel that dividing fields among households would eliminate the need for cadres, with cadres at the organizational level regarded as being least significant.

These "peaceful" days passed in this way for two or three years, with troublesome incidents coming one right after the other. Once when I was in Zhouhuang Village on a production inspection, several peasants tugged at me and wouldn't let go. They said that there were several rapeseed fields near the fields they were responsible for, and that after the rapeseed was harvested, the fields were flooded in order to transplant rice seedlings. This caused disastrous water damage to their own small grain fields. They of course wanted me to take care of it. The peasants of Matang Village prospered under the responsibility system, and they yearned to buy a tractor; however, the village had no road through the fields, so they could only "forget it and sigh." Every time I visited there I heard a mass of opinions and outcries. Another case: every organization is now required to purchase a certain number of sprayers, based upon how many households they have. Today you eradicate insects, two days later someone else eradicates insects, and all the while these harmful insects follow regular patterns, moving constantly, much as if they were playing hide-and-seek with people. The result is the expenditure of great amounts of agricultural chemicals with little effect. In villages and organizations, there is no end to these sorts of contradictions.

What is the problem? Last July, our village's party committee sent four survey teams to conduct surveys among 16 peasant groups in eight administrative villages, and to solicit the opinions of the broad masses of the peasants there. The most fundamental point of their conclusion was that in recent years, along with the great development of the rural economy, agricultural production was now climbing a new staircase, making new

demands on people. There must be continuous planting of crops, improved water management and prevention of plant diseases and pests; in agricultural crop varieties and production technology there must be broader use of high-yield varieties and newer technology to increase production, which will raise the output of grain oil per unit area; in the mechanization and modernization of agriculture there must be production roads built among the fields, there must be collective ability to improve service of agricultural machinery, and so on. In short, the peasants fervently hope and plead for village cadres to eliminate their concerns and resolve their difficulties, providing them with the services they need. This is a prerequisite for the second step in rural reform.

Who will provide this service? It is naturally the duty of village leaders, however it is certainly difficult to carry every service, item by item, to the households. Only the peasant groups are suited to this purpose.

At present, the peasant groups are taking on more and more work. Heavy burdens such as family planning, funeral reform, public services, turning over grain, setting the residential base, and so forth, have all been assumed by the peasant groups. The propagation of the party's policies and the popularization of science and technology are both dependent on peasant groups and cadres' links to every family and household. Moreover, a peasant group has but one person as its leader. It is no wonder that some group leaders say, "We stand upright and sleep lying down; we have no one to discuss important issues with and no help in solving big problems. Being a group leader is really hard." What's more, among the peasants now the use of collective funding in the overall plan is for the most part handled at the group level, with group leaders acting as both the accountants and treasurers of current funding, "dancing to their own tune." This is far from what is needed for public finance and democratic management.

Against this broad background of the current, second stage of rural reform, we decided to set up group councils on a widespread basis among peasant groups in order to further improve services to agriculture before, during, and after production; open up various types of work beneficial to the peasants; implement the party's programs and policies at all levels; and establish a totally democratic system of finances and peasant self-government.

At the beginning of this year, through mass rallies and democratic elections, group councils were established in all 147 of the peasant groups. These councils consist of three people: one group leader and two council members. In all the villages there are a total of 541 council members, 60 percent of whom have an education above the junior high school level, and 21 percent are either party members or old cadres. Because their council work takes up a lot of time, it was collectively decided that they would not receive an independent fixed subsidy. To guide the councils' work, their home villages drafted council work regulations, used village party schools to

train the council mainstays, and at regular intervals exchanged council work experiences. These actions will continuously strengthen the councils' service functions.

These councils are not a replication of the old team councils, but are a new form of mass self-governance appropriate to the development of a commodity economy. Looking at their nature, the old team councils were grassroots administrative organizations in the people's communes, whereas the new councils are mass, self-governing organizations of the peasants. In terms of their functions, the old team councils were of the "governmental-production type," while the new councils are of the "service-management type." The two also differ in their actual art of leadership—the old team councils used the administrative order style, and the current councils use a democratic consultative form. The group councils are a new form of leadership, through which the party and the government maintain contact with the masses. With this leadership, the "fault lines" which appeared in the villages have been mended somewhat; the contradictions in circulation and distribution have been rectified to some extent; and the peasants' difficulties are resolvable. Establishment of the group councils does not alter the operational format in which the household is the production unit; it does not alter the allotment format in which one earns more for working more; and it does not add to the peasants' economic burden. However, it does improve the dual level of management of operational and social affairs in the villages.

Through the experiences of the past year, the group councils' most important use has been in the areas of production development and democratic management. In agricultural production, our township was 100-percent successful this year in achieving rice hybridization and organism crossbreeding. In the peasant households, the group councils have successfully unified the seed supply, rice seedling cultivation, and water management; they have unified prevention of disease pest control. Because first-rate service to agricultural production was organized and utilized rather well, our township still brought in bumper grain harvests despite suffering such natural disasters as typhoons and flooding. Mountain villages, such as Lianmiao, which formerly were among the township's more backward villages, also began to change. Because the council groups' functions have come into full play, this year these villages are in the forefront in such areas as fulfilling their grain sales task and sustaining family planning.

### Cadre Development Strategies

91CM0317B Nanjing QUNZHONG [THE MASSES]  
in Chinese No 12, 5 Dec 90 pp 20-21

[Article by Gu Jingzhen (7357 7234 3791), secretary of the Qidong City party committee: "Emphasis on Village Cadre Groups"]

[Text] Village-level groups directly implement the party's policies and programs in all areas. Regardless of

these groups' situation, it greatly influences rural culture and construction. Since last year, we have focused our efforts on building rural party branches. At the same time, we have stressed building peasant councils. Through adjustment and building, there has been an increase in the overall roles of these groups, and new enhancements in individual quality. However, in the new situation of reform and opening, village groups are confronted with numerous problems. Examples of these are the fluctuating thought of village cadres and people, temporary shortages, lack of successors to carry on the work, etc. These still stand out in every village and town.

Looking at the overall situation of the city's rural groups, these several problems exist: 1) They are aging. In the city's 705 villages, only 302 branch secretaries, that is 42 percent, are under the age of 40, and 48 are over the age of 50. Among the chairs of peasant councils, 286, or 40 percent, are less than 40 years old, and 60 are aged 50 or more. Compared to the last few years, the membership of village-level groups is showing an obvious aging trend. Some of the groups are lethargic and lacking in vigor; there are many who want to protect the status quo, and few who are open and innovative. 2) Cultural quality is declining. Among the municipality's branch secretaries, there is only person who has any college, but 524 people, or 74 percent, have elementary education and a low cultural level. Of the directors of peasant councils, only two people have a college education, but 476, or 67 percent, have elementary education and a beginning cultural level. This cultural structure is very far from what is required for the new villages to take the lead in building socialism, and develop what onlookers expect of a rural commodity economy. 3) They are weaker in ability, and cannot break out of their work situation. There are 266 branch secretaries, 37.2 percent, whose work ability is strong or greatly improved; 296, 42.6 percent, are average; 143, 20.2 percent, are deficient. Some in the villages who were discontented, complained about the low pay and resigned from office, then went enthusiastically into organizations and enterprises. Some in business are inexperienced and lack the strength to create new situations, so that when they encounter some difficulty, they cannot on their own think of a way to deal with it, so they just postpone action or ignore as much as they can. A minority of village cadres even in new circumstances still hold to old methods, just floating on the wind, not making waves, muddling along, not looking to make any progress. 4) Female cadres are decreasing in number. Village council organizational regulations stipulate that there should be one female council member. However, of the 705 villages, 163 still do not have a female council member. There are 69 women who serve as village branch secretaries, a mere 9 percent of the total. This has to affect normal development of the work overall. 5) Some departments have too many concurrent responsibilities, which seriously weakens their functions. In an earlier phase, in order to lighten the peasants' burden, it was suggested that departmental cadres assume concurrent responsibilities. However, this was overdone, dispersing their energy and



weakening the maximum effort in departmental functioning. At present, mass organizational work is not developing normally in some villages and towns; in a few places it exists in name only. A survey conducted among 308 organizational branches in 22 villages and towns showed that 20 were wanting in this regard; only 17.4 percent of these were specialists; the rest all held concurrent responsibilities. At the same time, the trend was toward increased age. The average age was 30.07, with the eldest being 58.

We suggest that the conditions related above are serious, calling for the establishment of an emphasized and strong reserve cadre contingent. From our own experience, we feel that if this is to be done well, the following several things must be accomplished.

### **1. Create New Views To Clarify the Importance of Reserve Cadres in the Overall Building of the Party and Progress in Raising Their Consciousness of Doing This Work Well**

First, do away with the view that "villages lack talent." At present, some units always feel that the rural areas lack soil appropriate for producing talent, that the capable and strong have all gone off to distant parts, that those who remain are the old, the weak, and the sick—the people without ability. Even though there are some individual talents, their bodies are with the Wei dynasty while their spirits are with the Han dynasty. Therefore, faced with a situation of village-level groups lacking people to carry on, more and more are complaining and sighing. Surveys taken in Xiangyang Village and Lusi Township have shown us that it is not a case of rural areas lacking talent. The crux of the matter is that it must be discovered, unearthed, and cultivated. Recently, Xiangyang Village reviewed several organizational branch secretaries and militia barracks, and all were returned to the village to do farm work. Of these, some had previously been in factories and some had earned big money outside; what can we do to make them feel strongly that they are needed in the rural areas, or that they cannot leave their villages? This question hinges on how well we can create a favorable microclimate. Young people are influenced by the attitude of "seeing everything in terms of money." As they hesitate at the crossroads, they need the correct leadership of party organizations and education in the ideology, beliefs, and prospects of communism. What they need are discerning eyes, loving hearts, and the courage to use them. For reserve cadres who cannot match these demands, it is essential to look at the mainstream.

Second, discard the concept of "natural growth." Some units believe that "mature or not, one must be self-reliant," ignoring the external factors that bring talent to maturity. As a result, while maturation cannot be separated from one's own efforts, still if we are to bring forth a large group of capable people, it is essential for the organizations to strengthen their education and support. One must see that there are still negative factors in the maturing of our rural young people, and if we do not put

forth maximum effort to nurture them, provide them with a definite platform for their activities, and help them to mature as rapidly as possible, then, even though there may be good young successors, it will be difficult for them to develop well.

Third, we must stay with this era's full understanding of how vitally significant it is to establish reserve cadres to strengthen rural leadership groups. Although an organization at the village level is not a level of government, it is an essential, indispensable link in bringing party and government policies and programs to fruition. Whether organizations at this level are stable, whether they are strong and capable, is directly relevant to whether the party's programs and policies are implemented. Currently some units have not recognized the degree of strategic relevance reserve cadre work has on the rise and fall of party undertakings. They have not stressed putting this work on their daily agenda. Often, there will be a burst of attention from higher levels, after which the work is done once. The result is that when allocations to leading groups are made, there is a temporary phenomenon like that of "a hungry person who is not choosy about his food." Implementing the reserve cadre system at the village level can bring into full play the function of "talent pools" and "reservoirs," to create the prerequisites for improved village-level groups. Therefore, party organizations at all levels, especially village and town party councils, definitely must adopt practical measures that stress this work and strive to form a new structure for normal replacement of old cadres by new ones, in order to increase the business of developing reserve manpower strength.

### **2. Expand the Field of Vision, Open Up Many Channels, Make Stringent Selections, Expend Effort on Nurturing, and Make Appointments Cautiously**

First, be visionary in making selections. Look at things from the standpoint of each location, and as quickly as possible abandon "the family under heaven," that feudalistic-tinged method of appointing one's successors. Selection of reserve cadres can be based on investigative surveys, so that rural cadres, cadres between the two levels of township and village, will be produced through democratic surveys that evaluate, judge, and recommend them. Township party committees will make the final checks, strengthening the work's transparency. In order to widen the field of vision in making selections, make the choices from among the ranks of Communist Party members, mainstay production workers, returned service people, intellectuals outside the party, recent school graduates, and cadres in work teams; base selections according to the requirements of the positions, choosing the best from among the good.

Second, expend effort on nurturing these people to raise their quality. Practical, effective nurturing measures are the central link in building a strong contingent of reserve cadres. In the past, reserve cadres' objectives were often decided while lacking concrete measures, so they naturally went along with "looking for what heaven offers."

This situation must change. The utilization and nurturing relationships of cadres must be resolved from leading thought, resolutely making "refining" the watchword. Viewing things from the realities of every location throughout the municipality, training can be conducted group by group, establishing a system for training reserve cadres; there can also be guidance by person and by direction, stipulating that training is carried out by cadres having similar experience, according to the needs of the job; they can also pitch into the work of tempering the new hands, pushing them to the first line of engaging the contradictions, standing up to the trials.

Third, make appointments carefully, and carry out checks conscientiously. Making good and accurate use of cadres demands a grasp of two points. The first is to improve on the job training, "everybody like a horse." Experiences in such towns and villages as Xiangyang, Haifu and Yonghe have demonstrated that there will generally be a period of six months to a year of on-the-job training during the transitional stage in which reserve cadres move into posts as leading cadres, letting the intended cadres go out publicly in society, place themselves in the midst of the masses, and distinguish what is good from what is bad from among the masses. The second is to lead into a system of competition, "the field of competition chooses the horse." If they have the qualifications, several reserve cadres can be selected and placed in identical or similar work stations for on-the-job training, and they can be examined in practice. The strong will be reinstated, and the weak will continue training.

### 3. Capture the Weak Links, Perfect the Reserve Cadre Contingent Structure

First, strengthen the building of rural party member contingents. The problem which stands out is the aging of the party membership structure. The focus of attention in building reserve cadre contingents should initially be placed on all of our outstanding young people, choosing a variety of educational forms to lead them to keep forging ahead continuously in government, energetically drawing close to party groups. By strengthening the building of party groups, maximizing the use of branch nuclei, and closely linking the development of party membership to the training of reserve cadres, we can provide impetus to building the overall contingent of cadres.

Second, put more emphasis on the training of female personnel. Sizable numbers of excellent female rural cadres have emerged in our municipality in recent years. The first thing to do now is establish an overview: one cannot believe that female comrades are like the "Flying Pigeon" brand [bicycle] and be unwilling to expend the effort to train them. Furnish more favorable conditions for female cadres to grow to maturity group by group.

Third, master enterprise training of personnel. Along with the development of a rural commodity economy,

rural-operated enterprises have expanded at a constant rate, and the absolute importance of establishing enterprise management contingents has become evident. The current market slump and economic slide have revealed that the many problems with rural-operated enterprises are a concentrated reflection of the problem of enterprise manager quality. Party groups must put in its proper position the establishment of training for rural-operated enterprise reserve cadre contingents. This will catch up to what is needed for rapid development of the rural form.

Fourth, reduce departmental concurrent posts. In the past, concurrent posts were advocated as a means of lightening the burden on the peasants, but practice in every locality showed that the disadvantages outweighed the advantages. Doing it this way on the one hand decreases the total arena for reserve cadres' activities and toughening opportunities; on the other hand, if there is an excess of concurrent posts during the reserve cadres' period of on-the-job training, it disperses their energy and works against their becoming familiar with their own work and the overall development of rural work.

### Shandong Outlines Education Goals

*SK0204071091 Jinan Shandong Provincial Service in Mandarin 2300 GMT 1 Apr 91*

[Text] At the provincial conference on vocational and technical educational work which was held in Jinan on 1 April, Vice Governor Song Fatang proposed, "By the end of this century, our province's educational sector should basically establish an educational system that coordinates with Shandong's economic development and social progress and that has perfect functions, rational structure, fairly high efficiency, and definite distinctive features."

Song Fatang said that, during the Eighth Five-Year Plan period, about 70 percent of townships and towns in the province should implement a nine-year compulsory education system; the student body of all sorts of secondary vocational and technical schools should account for 55 percent of the total number of student body of senior middle schools; ordinary institutions of higher learning should basically stabilize the scale of postgraduates and undergraduates and appropriately develop specialized education. In adult education, it is necessary to consider the development of on-the-job training as the work emphasis and gear themselves to the needs of all persons of the same trade or business.

Song Fatang noted that Shandong's vocational and technical educational sector should actively probe the teaching system and educational ideology, content, and methods; implement the principle of active development; make overall arrangements and planning for vocational and technical education; and establish a teaching system characterized by multiple layers, channels, and forms. In carrying out nine-year compulsory education,

we should adopt various measures, including legal, administrative, ideological, and educational measures, and check the continued occurrence of false impression and blindness toward newspapers on the part of students, and strive to assume responsibility for fulfilling educational targets, establish educational networks at all

levels, systematize the educational content, and make the educational method scientific and institutionalized.

Su Yiran, member of the Central Advisory Commission, gave a report at the conference, entitled "Greet the New Stage of Vocational and Technical Education."

**'Democracy Foundation' Attracts Attention**

91CM0202A Hong Kong CHAO LIU [TIDE]  
in Chinese No 46, 15 Dec 90, pp 41-43

[Article by Liu Junzhi (0491 0689 2535): "Will the Democracy Foundation Become the 'Pressure Group' of the KMT's Democratic Reform?"]

[Text] The Democracy Foundation, founded in Taipei on 10 November, has attracted much attention from political and intellectual circles. That day 5,000 people participated in a celebration party; such a raucous gathering had not been seen at the foundings of previous democracy foundations. The participants included representatives not only from the arts, education, and industry and commerce, but also a number of influential people and important politicians, including Hsieh Tung-min [6200 2639 7036], chairman of the Kuomintang [KMT] Standing Committee and former vice president, and Sun Yun-hsuan [1327 6663 3872], former president of the Executive Yuan.

The Democracy Foundation is a cultural and educational corporate entity registered with the Executive Yuan's Ministry of Education. There are many such foundations, but only the Democracy Foundation has received so much attention and become such a hot topic of discussion in political and intellectual circles. There are six main reasons for this. *The first reason is that youthful and vigorous proponents of democracy within the KMT, including some powerful players, all joined the Democracy Foundation. These include all the members of the reform faction of the Judicial Yuan, the "New KMT Front." Along with chairman Kuan Chung [7070 0022], they all wish to take action, and have a fierce sense of mission. They all vigorously advocate the thorough, democratic reform of the KMT; implementation of free elections and election by ballot within the party; implementation of democracy within the party and clarification of the decisionmaking process; and organizational changes to follow the wishes of the people rather than those of the elite, thereby establishing a healthy layer of strength and a popular base of support. The Democracy Foundation might thus become the "pressure group" needed to spur democratization of the KMT. This is the natural development of social democratization and pluralism of ideas.*

Second, the 50-year-old Kuan Chung, who has been the Taipei's KMT party chairman, Taiwan Province's party chairman, director of the Central Work Conference, and deputy secretary general of the Central Committee, has lengthy experience in party organization and electoral campaigning. He has a solid base of support within the KMT and is good with popular movements. The core members of the Democracy Foundation, Chao Shao-k'ang [6392 1421 1660], Ting Shou-chung [0002 1343 0022], and Li Sheng-feng [2621 0524 1496] have extensive experience in successful electoral campaigning. Their performance in the Taipei City Council and the Legislative Yuan is very good, unlike those unscrupulous, profiteering "wicked committeemen" and "wicked

councilmen" who utilize their power for personal gain (such as in the case of the Jung-hsing Park embezzlers). Because of this they have a relatively good reputation among the KMT and the general population.

Even though the Democracy Foundation announced that it would not participate in elections (nor would it directly promote people in elections), with their electioneering experience and contacts in the media, Kuan Chung and his comrades-in-arms would have a strong influence on both internal party elections and general elections.

Third, the board of directors formed by 21 members of the Democracy Foundation includes well-known figures from the arts, education, the media, and industry and commerce. Those members of the press include the presidents and vice presidents of the Taiwan Provincial Assembly, the Taipei City Council and Taichung City Council (Taichung will become a municipality with the same status as Taiwan Province, Taipei, and Kaohsiung). Others have dual careers in the press and education, such as Yu Mu-ming [6735 1970 2494] and Ting Shou-chung; they are professors or assistant professors at well-known universities. Some members of the media have political party backgrounds and hold high-level positions in the KMT and the government. There are also people with a history of service in high-level positions within the KMT, and quite a few have a background in education and academia; for example, Kuan Chung has been an assistant professor at National Chengchi University [NCU] and has held the positions of associate researcher and researcher at the Center for International Relations. Chu Chien-chang [2612 1017 4545] is director of educational affairs at NCU, as well as political science professor; in the past he was assistant director of the KMT's Central Organizational Work Conference. *The "overlapping roles" of these directors have helped create a broad network of contacts within the Democracy Foundation, which will be useful in promoting democracy on a large scale.*

Fourth, there is a relatively large proportion of appointed professors among the directors and members of the Democracy Foundation. Quite a few still publish articles in journals, and have a definite impact on students and teaching.

Fifth, as soon as the Democracy Foundation was founded, it displayed great organizing power and the mass movements it started were quite active.

The Democracy Foundation announced it was a think tank for the masses, and its goal was to "bring together scholars, public opinion leaders, business leaders, and concerned individuals from every sector of society. Out of concern for the national interest, these people would research national policy and the government. Furthermore, they will develop concrete plans addressing national issues in order to realistically influence the national policymaking system."

*Most Democracy Foundation researchers are people who hold multiple posts, therefore, they are not a specialized organization like the Academia Sinica, the Center for International Relations, or the Chinese Economic Research Institute. Rather, the Democracy Foundation will promote "mass movements." On the one hand, they will often hold public discussions in Taipei, and on the other they will have public talks or meetings in different locales, combining scholarly research with the propagation of democratic ideas and mass movements, expanding the scope of the research. This method will greatly affect the spread of particular concepts and ideas about policy and people's discussion and understanding of them.*

By mid-November, the Democracy Foundation had already held several scholarly discussion groups. There are to be five relatively large scale events in 1991. This type of activity will help the Democracy Foundation build a popular base.

Sixth, most of the Democracy Foundation's board and founding members have studied abroad, in the United States, and a few have studied in Europe or Japan. They have participated in academic and educational conferences in the United States and Europe, as well as in political party events, and they have many contacts in U.S. academic and political circles.

The U.S. Foreign Policy Association, the Brookings Institute, the Republican Party's International Affairs Committee, the Democratic Party's International Affairs Committee, Stanford University's Hoover Institution, and Indiana University's Center for Political Theory and Policy Analysis have all expressed interest in establishing cooperative links with the Democracy Foundation. This kind of international contact could gradually make the Democracy Foundation well-known in U.S. political and academic circles.

Table I. 21 Board members of the Democracy Foundation

Name	Age	Origin	Education	Current Position	Previous Positions
1. Kuan Chung [7070 0022]	50	Fengcheng, Anhui	Ph.D., Fletcher School of Diplomacy	Director, China Broadcasting Co.	Party chairman, Taipei City and Taiwan Province; director, Organizational Work Committee; vice secretary general, Central Committee
2. Chu Chien-chang [2612 1017 4545]	62	Jiangyin, Jiangsu	M.A., government, NCU	Director, Educational Affairs, NCU	Assistant director, KMT Central Organizational Work Conference
3. Ts'ai Cheng-wen [5591 2398 2429]	50	Taipei, Taiwan	Ph.D., Political Science, Lu-wen [8692 3080] University [U.], Belgium	Director, Political Studies, National Taiwan University [NTU]	Assistant director, Asia and the World Society; professor, political science, NTU
4. Ts'ao Chun-han [2580 0193 3352]	52	Linhai, Zhejiang	Ph.D., political science, U. of Oklahoma	Assistant director, American Section, Academia Sinica	Assistant director, Asia and the World Society; professor, political science, NTU
5. Chao Ch'un-shan [6392 2504 1472]	44	Shouyang, Shanxi	Ph.D., law, NCU	Assistant director, Center for International Relations	Director, NCU East Asian Studies Center; assistant professor, Taiwan U.
6. Chan Huo-sheng [6124 3499 3932]	41	Jiayi, Taiwan	Ph.D., Wales U, England	Director, Sociology Department, NTU	Assistant director, Sociology Department, Chungshing U.; assistant professor and professor, sociology, NTU
7. Li Nien-tsu [2621 1819 4371]	36	Linsen, Fujian	Law degree from Harvard U.	Professor, Law, Tungwu U.	Assistant professor, law, Tungwu U.
8. Ch'en Kui-miao [7115 4097 8693]	56	Penghu, Taiwan	B.A., Literature, National Normal U.	Member, Legislative Yuan	Professor, Yangming Medical School; assistant director, Taipei KMT office; assistant director, Organizational Work Committee
9. Yu Mu-ming [6735 1970 2494]	50	Shanghai	M.A., National Defense Medical School	Member, Legislative Yuan	
10. Chang Shih-liang [1728 0013 5328]	52	Penghua, Taiwan	M.A., John Kennedy U.	Member, Legislative Yuan	
11. Hsu Wu-sheng [6079 2976 0524]	44	Jiayi, Taiwan	Ph.D., Law, Komataku U., Japan	Member, Legislative Yuan	

Table I. 21 Board members of the Democracy Foundation (Continued)

Name	Age	Origin	Education	Current Position	Previous Positions
12. Liu Hsing-shan [0491 5281 0810]	41	Taoyuan, Taiwan	Ph.D., Law, U. of Virginia	Member, Legislative Yuan	
13. Chao Shao-k'ang [1728 0013 5328]	40	Zhe County, Henan	M.S., Mechanical Engineering, Clemson U.	Member, Legislative Yuan	Councilman, Taipei City; assistant director, KMT Council on Culture and Industry
14. Li Sheng-feng [2621 0524 1496]	36	Tainan, Taiwan	M.A., Center for Three Principles of the People Studies, NPU	Member, Legislative Yuan	Lecturer, NPU Center for East Asian Studies
15. Lin Yuen-yuen [2651 3220 3293]	65	Kaohsiung, Taiwan	B.A., Taichung Agricultural College	Member, Taiwan Provincial Government	
16. Chien Ming-ching [4675 2494 2529]	55	Pingtung, Taiwan	B.A., law, NTU	President, Taiwan Provincial Assembly	Member, Taiwan Provincial Assembly
17. Lin Jen-te [2651 0088 1795]	53	Taichung, Taiwan	B.A., Hawaii Loa College	President, Taichung City Council	Councilman, Taichung City
18. Ch'eng Chiung-song [7115 3518 2646]	52	Taipei, Taiwan	B.A., literature, National Normal U.	Vice president, Taipei City Council	Councilman, Taipei City Council
19. Yang T'ien-sheng [2799 1131 3932]	50	Taichung, Taiwan	social sciences, California United U.	Member, National Assembly	
20. Lin Teng-fei [2651 4098 7378]	49	Changyao, Fujian	M.A., NPU Center for Educational Research	Publisher, DA CHENG BAO	General manager, Central Council on Culture and Industry; general director, Central Movie Company
21. Weng Ta-ming [5040 1129 6900]	40	Yin County, Zhejiang	B.A., banking, NPU	General manager, Huarui Company	

Regarding education: except for those in Taiwan, universities with no specified location are in the United States. Regarding job histories: party departments and central offices are all in the KMT. (This information was prepared 27 Nov 1990.)

Table II. Democracy Foundation Research Committee Members and Associates

Name	Age	Origin	Educational History and Degree	Democracy Foundation Position	Current and Past Positions
1. Chu Chien-chang [2612 1017 4545]	62	Jiangyin, Jiangsu	Masters of Political Science, NPU	member, Democratic Theory Committee	NPU Director of Studies; Assistant director of Central Work Conference, NPU professor
2. Chao Ch'un-shan [6392 2504 1472]	44	Shouyang, Shanxi	Ph.D., Law, NCU	Member, Two-Chinas Relations Committee	Assistant director, Center for International Relations; director, East Asian Center, NPU
3. Ts'ao Chun-han [2580 0193 3352]	52	Linhai, Zhejiang	Ph.D., political science, U. of Oklahoma	Member, Public Policy Committee	Director, American Studies Center, Academia Sinica; professor, political science, NTU
4. Lei Fei-long [7191 7378 7893]	66	Jinxian, Jiangxi	Ph.D., NPU	Member, Party And Government Political Committee	Professor, NPU; director, Legal Studies Department, NPU; associate director, Internal Policy Department
5. Ts'ai Cheng-wan [5591 2398 2409]	50	Taipei, Taiwan	Ph.D., Lu-wen U., Belgium	Member, International Relations Committee	Director, Political Science, NTU; professor, NTU; assistant director, Asia and the World Society

Table II. Democracy Foundation Research Committee Members and Associates (Continued)

Name	Age	Origin	Educational History and Degree	Democracy Foundation Position	Current and Past Positions
6. Ting Shou-chung [0002 1343 0022]	36	Yiwu, Zhejiang	Ph.D., philosophy, Fletcher School of Diplomacy	Administrator, Democracy Foundation	Member, Legislative Yuan; assistant professor, political science, NTU
7. Yang T'ai-shun [2799 3141 7311]	37	Taipei, Taiwan	Ph.D., political science, Indiana U.	Director, Center for Public Policy and Popular Will	Assistant professor, political science, NPU
8. Li Fu-tien [2621 1788 3949]	38	Dongyang, Zhejiang	Ph.D., law, Cultural U.	Director, Publishing Department	Professor, law, Cultural U.; assistant professor, Cultural U.
9. Kao Yong-kuang [7559 3057 0342]	36	Taipei, Taiwan	Ph.D., NPC	Director, Activities Department	Assistant professor, NPU Center for Three Principles of the People Studies; assistant editor, ZHONGHUA XUEPAO
10. Chia Yi-jan [6328 3015 3544]	37	Zhongyang, Henan	Ph.D., U. of Nebraska	Director, Executive Department	Assistant professor, economics, Cultural U.; assistant professor, NTU; general director, Society Work Conference

Note: The first five people are members of the Research Committee Members. The last five are associates of the Democracy Foundation. The Central Work Conference is the KMT Organizational Work Conference, and the Society Work Conference is the KMT Central Work Conference.

### Joint Rule of Military by Li, Hao

91CM0300A Hong Kong CHIUSHIH NIENTAI [THE NINETIES] in Chinese No 1, 1 Jan 91 pp 52-53

[Article by Liu Chien-Sheng (2692 1696 3932): "Do Li and Hao Rule the Taiwan Military Jointly?"]

[Text] During the past year, differences between Li Teng-hui's concepts of rule and the political positions of the military have led to several challenges by the military to Li's authority as leader. Although it is true that Hao Po-tsun, after becoming premier of the Executive Yuan, emphasized harmonious "relations between the Presidential Palace and the Executive Yuan," there nevertheless has been a difference between the degree of military authority of these two men under the Li-Hao system. For example, during the "National Military Affairs Conference" held by the military, the military interpreted the term "leader" to refer to the father of the National Revolutionary Army, Chiang Kai-shek, and its mentor, Chiang Ching-kuo. As for Li Teng-hui, the country's head of state, the military regarded him only as the "legally designated leader," withholding any heartfelt endorsement of him as "spiritual leader."

### Sung Hsin-lien Stays Another Term, Chen Chien-kao Has Term Extended

Because of different outlooks, the military looked with great suspicion on Li Teng-hui's motives in establishing the "National Reunification Commission," and upon his political stance against Taiwanese independence. Although it is true that the military, as an organization,

shows considerable respect for Li Teng-hui, in its concrete actions the military's support for Li does not come unconditionally. Particularly as regards important military personnel issues, one hears from time to time about struggles between Li and Hao.

In light of the issue surrounding Sung Hsin-lien's [1345 1800 3425] renewed term as National Security Bureau chief, and the extension of Chen Chien-kao's [7315 1017 7559] concurrent terms as deputy chief of General Staff and Action Officer despite the fact that he has passed retirement age, it is apparent that Li and Hao (even though they respect each other's military jurisdiction) both have set opinions about important personnel matters. This situation is also indicative of the degree of support Li Teng-hui enjoys with the military.

After Li Teng-hui named Sung Hsin-lien to serve another term in office, Chen Chien-kao, who was deputy chief of General Staff and Action Officer should have retired because of his age, but Hao Po-tsun exempted Chen from this rule and extended his term.

Military people have stated that Chen Chien-kao is responsible for planning and executing the various national defense policies proposed by Hao Po-tsun because the relationship between the two is extraordinarily close. If Chen Chien-kao were to depart the General Staff headquarters, it would affect Hao's influence in the military. Because Hao had insisted on having Chen Chien-kao's term extended, he could not very well oppose keeping Sung Hsin-lien for another term.

### Hao Remains the Main Decisionmaker in Military Personnel Affairs

As it turns out, the extension of Chen Chien-kao's term did indeed have a decisive impact upon Hao's position within the military. For example, after Yan Pai-chien [6056 4102 6197], the director of the General Political Warfare Department, resigned for "health reasons" and was made a strategy adviser, Yang Ting-Yun [2799 0080 0061], who was serving concurrently as the deputy director of the General Political Warfare Department and as Action Officer, was promoted to director with the backing of Hao Po-tsun. After Yang Ting-yun's promotion, there were three candidates for his former position: Ho Ching-chung [0149 3237 0022], president of the Political Warfare University; Mao Meng-yi [3029 1125 3354], commander of the 10th Army Group; and Chen Ting-chung [7315 1694 1404], deputy general commander of the Army. Of these candidates, Mao Meng-yi had once enjoyed the inside track due the support of Chen Chien-kao, but Yang Ting-yun favored Chen Ting-chung because the latter was from Hao Po-tsun's hometown and had served as Hao's aide-de-camp. He had been promoted at an earlier time by Wang Sheng, then director of the General Political Warfare Department, to serve as the chief of the Third Political Division of the General Political Warfare Department, and was thus familiar with the operations of the First through Fifth Political Divisions. Because the two parties supported different candidates, the issue ended up deadlocked. In the end Yang Ting-yun reported the situation to Hao Po-tsun. The matter was not resolved until Hao had Chen Ting-chung promoted to deputy director of the General Political Warfare Department (and to a concurrent post as Action Officer,) while Mao Meng-yi was promoted to serve as deputy general commander of the Army.

The incident had barely blown over, however, when Yang Ting-yun became embroiled in a confrontation with Huang Hsing-chiang [7806 1630 1730], general commander of the Army, over who should be promoted to serve as director of the Political Warfare Department of the Army Headquarters. The director of the Political Warfare Department of the Army Headquarters, Huang Chia-chin [7806 1367 3866], had been transferred to serve as deputy director of the General Political Warfare Department, and according to precedent his former position should have gone to the director of the Political Warfare Department of the Chinmen Defense Department, Li Jui-hua [2621 3843 5478], but Army General Commander Huang Hsing-chiang unexpectedly pushed to have a high-ranking officer surnamed Wu [0702], head of the General Welfare Office, promoted to the position. In the end, this matter, too, was decided by Hao Po-tsun. Li Jui-hua was promoted to serve as director of the Political Warfare Department of the Army Headquarters, while the officer named Wu was promoted to serve as director of the Political Warfare Department of the Armed Forces University.

In addition, Hao Po-tsun has also gone through Chen Chien-kao to exert control over other military personnel matters. When Cheng Li-chung [6774 4539 0022], director of the Naval Academy of the Armed Forces University, "parachuted" from nowhere to become a fleet commander in the Naval Fleet Headquarters, it caused personnel chaos in the Navy Headquarters and led to discontentment among some Navy people, the final result of which was the "Ye Chang-tung [0673 2490 2717] incident."

In light of various personnel shifts involving high-ranking military leaders, it is apparent that Hao Po-tsun has not had to give up his "military authority" because of his transfer from the Ministry of National Defense Ministry to the Executive Yuan. He remains the main decision maker in the military. In contrast, Li Teng-hui has played no role in the many shifts of high ranking military personnel except to approve the actions of others.

However, Li has actively sought the support of military personnel at the rank of major general. He has followed the example set by Chiang Kai-shek and Chiang Ching-kuo by meeting personally with all those who are promoted to the rank of major general and showing concern for their personal situations.

### The Various Services Gradually Attain "Autonomy"

The different ways in which Li and Hao exercise control over the military are indicative of the fact that even though the military as an organization respects the authority of Li Teng-hui, as a practical matter Hao Po-tsun is still key to the course of future events in the military. In reality, current high-ranking military officials with a firm hold on command of combat operations all have very close relations with Hao. The list of these officials includes Chen Chien-kao, Yang Ting-yun, Ye Chang-tung, Hsia tien [1115 3949], Cheng Pang-chih [4453 6721 3112], Hua Hsi-chun [5478 6932 6874], Kuo Yun [2654 5366], Ye Ching-jung [0673 4552 5554], Chang Kuang-chin [1728 0342 6930], Tang Yuen-pu [3282 0337 2528], and Yen Chung-cheng [7346 1813 6134]. The reason why the system of joint rule of the military by Li and Hao has not led to conflict is due mainly to the "self-restraint" of both parties.

Under joint rule, however, military leaders have found breathing room in the cracks between the two factions, and each branch of the military has gradually established a certain degree of "autonomy."

Military figures have mentioned as an example of this situation the issue of whether the Coastal Defense Administration can be established, and who should have jurisdiction over it. According to the proposal made by the Executive Yuan, the Navy would be responsible for day-to-day operations while it would be subject to the final authority of the Ministry of Finance. However, according to the instructions of Hao Po-tsun, not only would the Coastal Defense Administration interdict smuggling at sea, but the Army would also be expected to



transfer 15,000 men to the administration to intercept illegal immigrants and smuggled goods on land. These instructions from Hao prompted Army Headquarters to express a high degree of concern about the establishment and jurisdiction of the Coastal Defense Administration. The Navy Headquarters was critical of the situation and expressed dissenting positions regarding the use of the Navy and the Army for the interdiction of smuggling and interception of illegal immigrants. Hao Po-tsun and Army Headquarters came to feel that the establishment and jurisdiction of the Coastal Defense Administration was a very nettlesome issue, because if the Navy did not support the idea there was no room for doubt about the fate of the Coastal Defense Administration. Given the situation, Hao and the Army Headquarters could only think of the issue from a long-term perspective.

In addition to the problem of the Coastal Defense Administration, it frequently happens that when Defense Minister Chen Lu-An meets with the military leader Chen Hsin-Ling [7315 8590 7881], there are "proposals but no resolutions." This would have been practically impossible when Hao Po-tsun was in charge of the military, and it indicates that the autonomy of the various service arms is increasing. It also hints at the fact that the time when the major generals will take the reins is approaching, and that new ground is being broken.

#### **Younger Officers Will Band Together Out of Common Interests**

Many high-level military leaders had already reached retirement age by 1990, including Chiang Chung-ling [5592 0112 5376], Chen Shou-shan [7315 1343 1472], Chen Chien-kao, Chuang Ming-yao [8369 2494 5069], Sun Sen [1327 2773], and Huang Chia-chin. These people will inevitably have to retire or be transferred to new posts. Once Chiang Chung-ling and the others retire, younger officers such as Tang Yuen-pu, Hu Chia-chi [5170 1367 7784], Luo Wen-shan [5012 2429 1472], Han Teh-an [7281 1795 1344], Li Tsuo-fu [2621 0155 1788], and Xia Ying-chou [1115 3467 3166] will be able to ascend one after the other to important positions.

The gradual ascent to power of younger officers will have an impact upon the configuration of leadership ranks, and it will cause subtle changes in the "joint rule of Li and Hao." Hints of some of these changes may begin to show at the "Third Plenary Session" of the Kuomintang [KMT] Party which will be held in late March. People in the military have stated that, judging by the current political situation, the Li-Hao system could be tested at the upcoming "Third Plenary Session." However, for the sake of political stability, the military should support the functioning of the Li-Hao system, but this support injects a certain amount of uncertainty into the equation of future political events.

It is especially significant that the younger officers still lack strong credentials. Almost none of them are on the KMT Central Committee, so in order to exert influence on party and government policymaking the military will

have to act as a single bloc in an effort to get appropriate candidates into the inner circles of leadership. When the 14th Party Congress is held two years from now (in 1993), the younger officers will enter the Central Committee in an official capacity and replace the older generation of officers. Only then will the political careers of the younger officers begin, and the path of these careers is worth tracking. In fact, the phenomenon that deserves the closest scrutiny of all is the fact that the military, under the Li-Hao system, is changing from a monolithic entity into an "autonomous" entity, and from there is preparing to travel the path of an "interest group."

#### **Recent Scuffles Inside Parliament**

91CM0248A Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese No 201, 20 Jan 91 pp 32, 35-40

[Article by Tsao I-hui (2580 0110 2585) and Lin Chia-chun (2651 1367 5028): "Is There Any Other Way, Aside From Fighting?"]

[Excerpts] After more than 10 days of deliberative paralysis, the Legislative Yuan sits like a sodden lump of mud. It can neither carry out constitutional reforms, nor can it undertake the important responsibility of responding to the people's will. [passage omitted]

This is why HSIN HSIN WEN interviewed eight supplementary [zeng e 1073 7345] legislators. From the musings and self-questioning they might express, we wanted to see what the year might hold as to the Legislative Yuan being able to move from the shadow of its deliberative paralysis that exists before all the old members retire. Included were Jao Ying-chi [7437 4481 1142], Li Sheng-feng [2621 0524 1496], Hsieh Chang-ting [6200 7022 1694], and Lu Hsiu-i [1687 0208 0001], who were active participants in this deliberative paralysis and dispute, and Huang Chu-wen [7806 0031 2429], Ting Shou-chung [0002 1343 0022], Chang Chun-hsiung [1728 0193 7160], and Lin Cheng-chieh [2651 2973 2638], who attended the deliberations but who, during the deliberative paralysis, stayed aloof and did not become embroiled in the physical clashes on the floor. The following are excerpts from the interviews.

#### **Rao Ying-chi, general secretary of Kuomintang [KMT] headquarters of party members in the Legislative Yuan:**

[HSIN HSIN WEN] During the confrontations between the two parties that have paralyzed the Yuan on more than 10 occasions, what has the KMT gained and what has it lost?

[Rao] What could the KMT gain? Although we are the party with the majority of the seats, once the Democratic Progressive Party [DPP] with only 20 people began stirring up trouble, everything became paralyzed. The ruling party must be responsible to all the people. But because the opposition party's boycott has paralyzed Yuan meetings, bills cannot be passed and policies

cannot be implemented. These are losses for the KMT. KMT members of the Legislative Yuan do not attend Yuan meetings just to give the minority party an opportunity to paralyze them.

[HSIN HSIN WEN] As secretary general of the KMT Legislative Yuan members, isn't it your responsibility to see to it that Legislative Yuan party members attend meetings?

[Rao] I can't be assembling people every day. Legislative Yuan party members have their own reasons for not attending meetings. KMT members of the Yuan must administer their election districts and serve their constituents. Some Yuan members have their own affairs to take care of, and some are even busy with parliamentary foreign affairs. There's not much that can be done about this. Of course, we hope that Yuan members will willingly attend meetings. However, those who don't have their reasons.

Another group of party members in the Legislative Yuan do not feel that their election was totally dependent on the KMT. Since they are not shouldering the same heavy responsibility that the secretary general is, they do not attend meetings.

[HSIN HSIN WEN] Since it cannot exercise the force needed to mobilize its members, it is quite obvious that the party headquarters for the Legislative Yuan members does not have enough control over Yuan party members.

[Rao] If the party headquarters is to exercise force, it needs two things, "weapons" and money. It has neither. How can the Legislative Yuan party headquarters exercise force? Since I began my term as secretary general, I have always used persuasion and personal contacts to convince Yuan party members to attend meetings. As for staff personnel, I have always looked for people in charge of secondary groups for that responsibility and had them use good will to win people over to attend meetings.

[HSIN HSIN WEN] What do you mean when you say "weapons?"

[Rao] Simply put, authority! If the internal party system is not changed and if the party whip is not given the needed authority, then it will be very difficult for him to exercise force.

[HSIN HSIN WEN] Faced with the DPP's boycott of deliberations, does the KMT have any other choice except to force a vote?

[Rao] There is no alternative. Unless the structure of the Legislative Yuan is improved and the rules of debate changed, the two parties can only use negotiations to resolve their differences. If negotiations are not successful, then they are forced to take a vote.

At present, because we want to encourage normalization of the deliberative process, we are proceeding one step at a time. We are using different methods at different stages

to cope with the situation. We are now forced to rely on the pressure of public opinion. If that does not work, we will have to ask the voters to decide by majority vote.

[HSIN HSIN WEN] Who proposed "voting on the complete bill?" Why would you want to use this procedure?

[Rao] First, we have to define what we mean by "voting on the complete bill." If voting on the complete bill means requiring the Yuan to vote on complete bills without an examination session to examine them after they have been sent down by the Executive Yuan or proposed by the Legislative Yuan, then I do not approve.

If they have been examined at an examination session, we have to respect that, because then they have been subjected to the differing opinions of various committees through public meetings, speeches, and debate. I do not object to voting on the complete bill for bills which have undergone this procedure. However, bills that have been passed must be implemented by the ruling party. When the quality of legislation is not high, this directly affects enforcement by the ruling party. Consequently, in voting on the complete bill, we have to demand political responsibility. Otherwise, we cannot be expected to use this procedure for passing bills.

[HSIN HSIN WEN] Under what circumstances would you be forced to vote on the complete bill?

[Rao] Some bills have to be passed in a hurry—for example, last year's three bills dealing with government workers and the regulations on reduced punishments, and for example, the fair trade law, the organizational regulations for the mainland committee, and the revision of customs regulations on import duties urgently required an extended session.

[HSIN HSIN WEN] How has the KMT lost anything as a result of the prolonged deliberative paralysis?

[Rao] We think the KMT losses are quite serious. But by the same token, the DPP did not achieve anything either. First, the KMT lost the trust of the public and party members at the grassroots. Second, the contradictions among the KMT's internal party factions were brought out into the open. For example, some people of the Collective Wisdom Association constantly remained aloof. In the end, we found them to be strange as well as their ideas on how the problem should be resolved. Third, hasty legislation results in flawed legislation. When the executive departments issue orders to enforce this legislation, the KMT as the ruling party will be leaving behind its unpleasant consequences. Fourth, the abuses committed by the ruling party have been thoroughly exposed. The entire party machinery has problems. It is powerless to command, and it cannot exercise its strength. If we are to allow the party machinery to function, we will have to transform the physical makeup of the party from an outwardly created political party to an inwardly created political party.

Although the KMT has lost a great deal, it still has the Executive Yuan from which to operate. The political stage of the DPP is almost entirely in the Legislative Yuan. If it loses the Legislative Yuan, it loses everything.

However, as for the country as a whole, the Legislative Yuan has not made a good showing. The authority of the Executive Yuan will naturally expand to form another type of dictatorship. It will be an absolute misfortune for democracy.

[HSIN HSIN WEN] Do you mean to say that, except for forcing a vote and hurling invectives, the KMT has no other means of dealing with the DPP?

[Rao] There's no other way. I cannot think of any other way.

[HSIN HSIN WEN] Why is the KMT so definite about using a forced vote?

[Rao] Consultations between the two parties do not work, and bills have a time limit on their effectiveness. If the ruling party is to pursue its policies, it has to allow bills to be passed. If consultations are ineffective, forced voting is the only procedure left.

[HSIN HSIN WEN] Why don't the supplementary members of the Legislative Yuan actively attend meetings? And why must they depend on the old members to be present before convening a session?

[Rao] There is no point in talking about why the supplementary members of the Legislative do not attend meetings. We have to call on the members to convene sessions. Otherwise, there is no point.

[HSIN HSIN WEN] Who proposed "voting on the complete bill" and why use this procedure?

[Rao] I do not know who proposed it.

[HSIN HSIN WEN] Do you think that "voting on the complete bill" could improve the efficiency of the Legislative Yuan's deliberative process?

[Rao] If we are to enhance the efficiency of the deliberative process, I think several principles must come into play. We have to avoid conflict. Comrades in the party have to encourage each other to attend meetings. We must conduct ourselves within the law. With respect to supporting party policies, I also agree with "the association for enhancing deliberative functions," which was formed by more than 50 party members of the Legislative Yuan. Nevertheless, we have no choice but to use the procedure of "voting for the complete bill."

[HSIN HSIN WEN] Why do the KMT members of the Legislative Yuan frequently resort to physical acts to cope with the physical acts of the DPP members?

[Rao] This is a normal human reaction! They do not act unless they are provoked. KMT members of the Legislative Yuan want to protect themselves too!

[HSIN HSIN WEN] Faced with the DPP's strong boycott and given that KMT supplementary members of the Legislative Yuan are not actively attending meetings, doesn't the KMT have to rely even more on the old members of the Yuan to conduct meetings?

[Rao] The supplementary members of the Legislative Yuan should then actively attend Yuan meetings! However, it is not likely that the KMT will rely more and more on the old Legislative Yuan members. At present, they have been playing a support role, and because up to now there still have not been differences of opinion between them and the old members, the supplementary members have been eliminated by the old members in the voting process.

[HSIN HSIN WEN] After the consultations between the Collective Wisdom Association and the DPP on the evening of the 8th, it seems that the deliberative process has gradually returned to normal.

[Rao] It is not totally because of the Collective Wisdom Association that deliberations have returned to normal. During the period of deliberative paralysis, the association always wanted to play the good guy, using the method of nobody can help it to project their goodness. However, this goodness was meaningless. For example, after the vote on the three bills on government workers, they issued a statement condemning Legislative Yuan members responsible for consultations. The Collective Wisdom Association did not achieve anything by this except to hurt my feelings.

**Hsieh Chang-ting, head of the DPP group in the Legislative Yuan:**

[HSIN HSIN WEN] What has the DPP achieved and what has it lost by its tactics of paralyzing deliberative functions?

[Hsieh] I think there have been both gains and losses from the resistance in the Legislative Yuan. From the standpoint of the DPP, it hoped first to achieve two objectives. The first had to do with the retirement issue. We hoped there would be substantive results; for example, that the KMT would not be able to skip the vote on the "bill for retirement in three stages over two years." The second is the Council of Grand Justices demanding that explanation number 261 become a compulsory law. Explanation number 261 actually contains two parts: one saying that the end of the year would naturally be the retirement deadline; and another saying that the immediate dismissal of officeholders could not be implemented. The vote had been "skipped" on the second part. Many officeholders who had not attended the meeting and who could not be dismissed signed in to form a quorum. This was quite unreasonable. With respect to the second, the National Assembly crisis is more and more apparent. If it is impossible to pass legislation on the retirement regulations, then, in four or five months it will become obvious and it will bring with it unforeseen crises and losses for people throughout the

country. People are now saying that it is the supplementary members of the Legislative Yuan who are directing deliberations. Actually, the supplementary members are directing the deliberative "process." It is the old members of the Legislative Yuan who are directing the "results" of deliberations. They have become the "finalizers of deliberations." This insults the people. The second hope is, by making obvious the absurd situation of the National Assembly, the people throughout the country will be forced to pay closer attention to it and to discuss it. We know, of course, that current public opinion and media reports have been unfavorable toward us and are likely to cause us to lose people's support. However, if the old members of the Legislative Yuan can put through decent, democratic legislation, then how can we be reelected? I want to stress that an efficient National Assembly that lacks democracy and justice is the worst kind. When it lacks democracy and justice and we can make it inefficient, that is a great contribution to the people!

[HSIN HSIN WEN] When the DPP was deciding to use the tactic of paralyzing deliberations, did it consider any other alternatives?

[Hsieh] Political consultations are one alternative. However the strength and representation of the ruling party's headquarters for Legislative Yuan members are quite limited. This is a relatively large issue. There have only been two plans for reform, one from the top down initiated by the ruling party and the other, reform from the bottom up which represents an awakening of the people. However, what we have now implemented is different. It is reform of the National Assembly beginning in the middle. It would always be better to reform the National Assembly than it would be to have Molotov cocktails being tossed in the streets. At least we do not want to be like Korea and the Philippines.

[HSIN HSIN WEN] On several occasions when resisting deliberations, the DPP has done such things as throw water and other objects and has even engaged in physical acts. During its internal meetings and private discussions, have DPP members of the Legislative Yuan ever considered alternative resistance tactics?

[Hsieh] There is one point to make. Our replacement plan is, in effect, based on the namelist of retirees that the KMT made out. We could give all-out cooperation in the examination of the people's livelihood bill. However, the KMT is now using the examination of the bill as a weapon. They are doing as they please. This is wrong.

[HSIN HSIN WEN] Won't the "scorched earth" tactics that the DPP is using to paralyze deliberations destroy the good with the bad?

[Hsieh] You first have to understand why deliberations are being paralyzed. The reason Yuan meetings break up is because there are not enough people to form them. Earlier, I mentioned that the existence of the old members in the meetings constituted a distortion of the democratic process. Although the supplementary ruling

party members still outnumber us, when the old members on the floor have to vote, the supplementary members do not have to make known their position. This makes it impossible for the people to determine whether they are fulfilling their political responsibilities and exposes one aspect of the large absurdity of the National Assembly.

[HSIN HSIN WEN] If when the opposition party uses "scorched earth" tactics to paralyze deliberations and the KMT has to again resort to the old members of the Legislative Yuan for help when it comes time to vote on a bill, does this not force the KMT to rely even more on the old members?

[Hsieh] If this is so, then let the whole country get a look at it! Our purpose has been achieved. It doesn't make any difference. We have always let the KMT bring in the old members to vote. This makes obvious the absurdity of their existence. Outsiders all think that the supplementary members of the Legislative Yuan are now directing the deliberations of the Legislative Yuan. Actually, the old members and members elected from overseas constitute the majority. This is why it is an intolerable political structure!

#### **Lu Hsiu-i, DPP member of the Legislative Yuan:**

[HSIN HSIN WEN] With respect to the deliberative paralysis, what has the DPP gained and, at the same time, what has it also lost?

[Lu] We have to discuss two issues with respect to the paralysis in the Legislative Yuan. First, is how much of a counterbalancing function in the political structure does the authority of the Legislative Yuan really have with respect to the authority of the Executive Yuan. During the past 40 years, the Legislative Yuan has been reduced to a mere legislative office and rubber stamp of the Executive Yuan! Second, the structure of the National Assembly is illogical. It is precisely because the old members refuse to retire that we urgently want to boycott deliberations. We of course know that by paralyzing deliberations we will for a time lose the support of the public. We might even lose their understanding. However, if we can establish a political system that conforms to the democratic process, I think we have to demand that this be done, no matter how we are repeatedly misunderstood or vilified.

[HSIN HSIN WEN] Have you thought about using methods of resistance other than paralyzing deliberations? Wouldn't an opposition party be a better choice?

[Lu] We have thought about other methods. However, what have our cooperation with and ties to the KMT achieved? Several years ago, the opposition party made the proposal that the entire National Assembly be reelected. But what was the KMT response to this important and far-reaching topic? For example, during the discussions among the government and the public on regulations for reducing punishments, the KMT only bestowed a few small favors, and that was it. What is the

significance of that? I feel that, compared with opposition parties in other countries, the DPP's method of resistance is too mild, too reasonable, and too peaceable!

[HSIN HSIN WEN] Why have you yourself thrown things, spat on people, and engaged in physical acts? The impression that outsiders now have of you, it would seem, is becoming more and more negative.

[Lu] Actually, acts similar to this were done in the past. At the last session when I discovered that the president and vice president of the Yuan had been reelected and that Yuan President Liang Su-jung [2733 5126 2051] had openly violated deliberative regulations by allowing people to show contempt for Yuan meeting procedure, I naturally became angry and, as a result, threw a copy of the agenda at him. Nevertheless, I am still a man of propriety. If I threw water at old members or threw objects at them it was because they refused to retire and because they were still in the Legislative Yuan representing the "people's will." As an individual, I certainly do not have any hatred for anyone. Several days ago, instead of hitting Lin Tung [2651 2767], I spat on him. This was a symbolic act that showed my humane position.

[HSIN HSIN WEN] In choosing these "scorched earth" tactics to paralyze deliberations, have you considered that you might be destroying the good with the bad?

[Lu] Actually, the Legislative Yuan is only one link in the political ecosystem. If the retirement issue is not settled soon, I think that within a few months the National Assembly will be even worse off. This is why we have chosen "scorched earth" tactics. "Scorched earth" tactics is trading space for time. We are reversing this process and using time in exchange for negotiating space. We think that time will prove everything.

[HSIN HSIN WEN] The ultimate result of using the resistance method of paralyzing deliberations will be to have the KMT to repeatedly seek the help of the old members in voting. Does this not conflict with your stated objectives?

[Lu] This is a bizarre situation. But that's all right. If, to protect its own interests, the KMT keeps the old members from retiring and even puts them to use when it is time to vote, that, on the contrary, allows the DPP to make even better political demands.

**Huang Chu-wen, KMT supplementary member of the Legislative Yuan:**

[HSIN HSIN WEN] Since the Huang Hua [7806 5478] case broke, the Yuan has been paralyzed on more than 10 occasions. What, in the final analysis, has the KMT gained?

[Huang] It has not gained a thing.

[HSIN HSIN WEN] What has the KMT lost?

[Huang] I do not know.

[HSIN HSIN WEN] Does the KMT have any better ways to deal with DPP resistance than forced voting, invectives, or giving in to the paralysis of the Yuan meetings?

[Huang] Yes, it does. With respect to the collective wisdom association entering into consultations with the DPP, on the evening of the 8th, KMT headquarters of party members in the Legislative Yuan rushed out to give its okay. At noon yesterday (the 9th), I told Rao Ying-chi the results of the consultations and requested that Legislative Yuan party headquarters pursue them. Yesterday afternoon (the 9th) and today, the meeting of the Yuan meeting went quite smoothly.

[HSIN HSIN WEN] Then, why did not the Collective Wisdom Association consult with the DPP a little earlier and thereby lessen the paralysis of the Yuan meetings?

[Huang] A little while ago, the Legislative Yuan party headquarters was beating the war drums. Boom, boom. How could we consult with the DPP? We in the Collective Wisdom Association did not want to go along with beating the war drums, but now it has changed. Now that Legislative Yuan party headquarters is also stuck, it is all right for the Collective Wisdom Association to consult with the DPP.

[HSIN HSIN WEN] In the past, you often spoke at Yuan meetings. But since the paralysis of the meetings, why haven't we seen you take to the floor?

[Huang] What good does it do to make speeches? It's a waste of time. That's all there is to it. The deliberative paralysis of the Legislative Yuan is not an issue that can be settled with long-winded speeches.

[HSIN HSIN WEN] When a vote is about to come up, other members of the Legislative Yuan often resort to physical violence. How come you haven't taken part?

[Huang] The Collective Wisdom Association does not engage in physical violence and verbal abuse. Problems cannot be settled by scuffling. If we want to enhance the efficiency of deliberations, we do not want to rely on the "Association for Enhancing Deliberative Functions" formed by Yu Mu-ming [6735 1970 2494]. They take blood oaths that they will stay the course and attend meetings but are not even on the floor at the beginning. There's no point in that.

Why would I want to take part in the scuffles on the floor? What good would it do to add another fist and another foot to the fight? It would not settle anything!

**Ting Shou-chung, KMT supplementary member of the Legislative Yuan:**

[HSIN HSIN WEN] What do you think the KMT has gained and lost during the more than 10 Yuan meetings that have been paralyzed?

[Ting] I cannot see that the KMT has gained anything. On the other hand, it has been impossible to pass bills and implement government decrees. This has had a huge

influence on the political resources of the KMT, and the effect of the improper deliberations on KMT comrades is not clear. It will also cause the public to lose hope in parliamentary politics. The KMT and the DPP have different ideologies. This causes a tradition-versus-independence conflict. It is very difficult to solve these issues in a short space of time.

[HSIN HSIN WEN] Aside from forced voting, invectives, and putting up with the paralysis, surely the KMT has other methods to promote the deliberative functions?

[Ting] I think that the most important thing we can do is strengthen the safeguards for parliamentary order. Next, we have to counterbalance the Legislative Yuan members with the force of the voters by urging social groups to take the initiative in publicly declaring that they do not support the Legislative Yuan members who are causing the trouble.

At present, voters are essentially split 30 percent for the DPP and 70 percent for the KMT. Even though it is this way, no candidate can rely only on certain groups for election. The criticism and condemnation of even some social groups will exert pressure on DPP members of the Legislative Yuan.

[HSIN HSIN WEN] In this respect, in the past you often would express your views in speeches. How come you have not made any speeches from the floor of the Yuan on the issue of the Legislative Yuan's paralysis?

[Ting] What is the point of making speeches? The more you talk, the more time you waste. I am very interested in the deliberative process. I probably go to the assembly hall every day. However, when I am confronted with the paralysis in deliberations, I feel powerless.

[HSIN HSIN WEN] There have been a number of physical conflicts in the assembly hall. Why haven't you taken part like the other members have?

[Ting] It is not that I do not know how to fight. I am qualified in elementary level tae kwon do. However, as a professor at Taiwan University, engaging in physical violence would only detract from my position.

**Chang Chun-hsiung, DPP member of the Legislative Yuan:**

[HSIN HSIN WEN] What do you think the DPP's demands are with respect to the recent paralysis in deliberations?

[Chang] I do not think that the issue of the paralyzed deliberations is limited only to the comprehensive reform of the National Assembly. Nor has it only to do with the retirement of the old members. Rather, it is a question of monopolization of decisionmaking authority. Since the emergence of Hao Po-tsun as president of the Executive Yuan, the "Hao Po-tsun phenomena" has occurred, that is, undemocratic decisions and policy monopoly. Thus, it is not a question of whether

the old members retire or not and changes are produced. If we add to this the "Liang Su-jung attitude" where we blindly place ourselves under the Executive Yuan and become one of its departments, then the function of an opposition party has no utility. There is no alternative but to resort to physical violence in order to resist.

[HSIN HSIN WEN] Are not the DPP's resistance tactics prejudgmental?

[Chang] I think that, if the KMT does not respect the rules of the game, then the opposition party in carrying out its resistance has no other choice. We might have used a policy debate to expose the weaknesses of the KMT's policy decisions, but that would have had only a limited effect because of KMT suppression. I think that using the tactics of paralysis which destroy both the good and the bad has an exceedingly harmful effect on the opposition party. However, the tactics that the opposition party can use are actually quite limited.

[HSIN HSIN WEN] What losses has the DPP suffered during its resistance?

[Chang] Unfortunately, outsiders are only paying attention to "appearances" and that's all. The public certainly does not probe the origins of the chaos. It only sees the spitting and the turned-over chairs. This naturally has an effect on the opposition party's image and especially on individual members. However, we hope in this way to arouse the attention of the public to explore the origins of the chaos in the Legislative Yuan.

[HSIN HSIN WEN] When you see the party to which you belong use these methods of resistance in the assembly hall, do you feel in disagreement?

[Chang] Of course, I am struggling in my mind and suffering torment. However, I also know that, throughout the resistance, the DPP has had absolutely no alternative but to confront the KMT's lack of respect for principle and to set the example for the Legislative Yuan. We also want to take action to nurture a new lease on life for the Legislative Yuan, otherwise it will become a hollow shell of itself.

**Lin Cheng-chieh, DPP member of the Legislative Yuan:**

[HSIN HSIN WEN] Since the beginning of the Huang Hua incident, the DPP has vigorously boycotted deliberations, causing the paralysis of more than ten meetings of the Yuan. What has the DPP gained and what has it lost in all this?

[Lin] It has not gained anything. The DPP is sacrificing itself to make certain problems prominent. In doing this, it is paying a certain price. At present, people at the grass roots do not have a high regard for the DPP. The fact is that, during this period, the KMT has been wrong quite often. This society will pay a heavy price for locking up a Huang Hua. Second, the KMT's skipping the vote on the retirement in three stages over two years passed at a regular session violates a trust and causes everyone to lose confidence in parliamentary reform.

[HSIN HSIN WEN] The DPP did make some sacrifices, but did it make any gains?

[Lin] Tactically, the DPP did not, in fact, make the issues clear and prominent. For example, take the Huang Hua case. What should have been made prominent was that it was a human rights issue. However, the public thinks that the DPP is taking the road of Huang Hua. The "three stages in two years" was the KMT skipping the vote. The DPP did not make this point prominent. On the contrary, what was made prominent was the DPP's boycott of deliberations. The DPP did not do a good job in making these two incidents prominent. This is unfortunate.

[HSIN HSIN WEN] It is hard to believe that the DPP could not have a method other than physical violence to boycott deliberations to achieve its goals?

[Lin] I spoke on this point at a party group meeting, and everyone accepted what I had to say. But because one person cannot talk for a long time when making a speech at a members meeting, the issue of who was take responsibility for the "three stages in two years" was addressed by representative Chiu Lien-hui [6726 6647 6540] who demanded that the KMT present a formal reply.

[HSIN HSIN WEN] At Yuan meetings in the past, you often spoke on specific topics. However, during the recent paralysis of deliberations, you have not spoken. Why is this?

[Lin] What is actually happening is that both parties are blaming each other. Both are right. The question is, has either of them subjected itself to a self analysis, asking itself if it is equal to being the ruling party or the party out of power. They can only be persuasive if they have analyzed themselves. Does the ruling party have the capability to rule as we enter into a democratic period. No, it does not. Does the party out of power have the capability of giving all the people a completely new alternative? No, it also does not. The common people are fed up with the ugly political struggle in which the two sides are engaged. They are filled with feelings insecurity. When these feelings become too strong, they can have bad consequences. The common people could prefer a return to the order they had before. If the Legislative Yuan is not equal to the task, everyone will suspect the representational system is no good. They will demand a strong man. If the common people were to leave everything to a strong man, we would lose all possibility of experimenting with consultations and democracy. The popularity of Hao Pai-ts'un would steadily rise.

[HSIN HSIN WEN] On several occasions, the voting in the Legislative Yuan has broken out into violent physical conflicts. Why haven't you thought to join them and act a mediator?

[Lin] There is no room for mediation. What I have in mind now is to let it die out. The Legislative Yuan, in reality, is not a bad thing. It is just that it has been long

time since its good aspects have shown through. Let it thoroughly rot. Only then will its good aspects show through and only then will everyone value it.

### Analysis of Worsening Public Order

91CM0292A Hong Kong CHIUSHIH NIENTAI [THE NINETIES] in Chinese No 253, 1 Feb 91 pp 69-72

[Article by Tang Ming-shih (0781 2494 2457): "Taiwan's Public Order: A Cops-and-Robbers Film in Real Life"]

[Text] Taiwan's public order is every day like a cops-and-robbers film played in real life. As far as the general public is concerned, the difference is that people are free to decide whether to go to a movie, but are left no choice when startled by the frightening sound of gunshots heard nearby in real life.

Is Taiwan's public order really as bad as that? Let us first look at two strange social phenomena.

### The Two Strange Social Phenomena

According to newspaper reports, fewer and fewer people drive Mercedes-Benz cars in Taiwan. Not that they lack the money, but they simply don't dare to drive Mercedes-Benz cars. Rich fellows who can afford expensive imported cars are, in the eyes of some wicked people, like fat sheep running around marked for slaughter. Car dealers complain bitterly without letup, but all the rich fellows can say is merely that stylish appearances may indeed be important, but life is more precious.

At the same time, more and more people are taking out comprehensive life and property insurances, and more private persons are hiring bodyguards, especially after the kidnapping of the children of managers and proprietors of the Changjung and Hsinkuang conglomerates. Ransom in these cases had amounted to as much as NT\$100 million [new Taiwan dollars], which makes this line of business certainly more prosperous by the day.

On 7 September of last year, a two-day "National Social Order Conference" was held, presided over by Premier Hao Po-tsun personally. Over 300 senior officials of the central and local authorities attended the conference, including heads of education, economic and finance, and other bureaus. This was the first large-scale social order conference held on Taiwan in recent years. It indicated, on the one hand, that the new Cabinet, one that calls itself a "law-and-order Cabinet" and that intends to deal a devastating blow against crime, attaches great importance to the public order issue. On the other hand, however, it also brings out in sharp relief the seriousness of the problem.

Within two months after the conference, Lin Lai-fu [2651.0171 4395], rated foremost of Taiwan's 10 most notorious murderers, was captured in Taichung. He was the last of the said 10 criminals to be arrested. Together with Taiwan's No. 8 and No. 3 most-wanted men, Huang Hung-yu [7806 7703 1384] and Yang Jui-ho [2799 3843

0735], he had been a member of the most violent and fiercest trio of robbers and murderers that had tormented Taiwan for the last three years. During the last three years, they had committed over 100 serious crimes, and 30-40 people had lost their lives by their guns. The three men were caught at different times last year, and with their capture all 10 criminals were wiped off the list of wanted men. It was the best "report card" that the police achieved during the "year of public order." The question now is: Will this justify our feeling relaxed about Taiwan's public order?

The actual situation is like waves on the Chang Jiang; each wave is followed by another, and as soon as 10 big criminals are gone, another 10 may crop up, or even several dozen of them. According to statistical data of the Police Administration, the total number of criminal cases that have occurred in Taiwan is like the "10-year period of achievements" [that the government likes to boast of]—showing a curve that goes straight upward.

**Table 1: Total Criminal Cases on Taiwan**

	No. of Cases	Cases Solved	Percentage of Cases Solved	Persons Involved
1970	52,350	43,837	83.7%	44,669
1987	89,468	71,189	79.6%	87,086
1988	88,215	65,569	74.3%	81,503
1989	90,340	69,005	76.4%	86,900

#### **A Doubling of Criminal Cases in 10 Years**

Table 1 reveals that, during the period of nearly 10 years, from 1980 to 1989, the number of criminal cases rose almost 73 percentage points, and in this figure the upward trend of violent crimes is even more frightening. In 1979, there were 1,954 cases, rising abruptly in 1988 to 4,743 cases, a jump of almost 150 percent. As to kidnapping and ransom cases, there were only 20 cases 10 years ago, but 95 cases in 1988, a fivefold increase.

Although the total figures for 1990 have not yet been published, we already know that the rate of serious crimes during the period from June to October has increased to several times the figure for the earlier five months.

An analysis of the causes for these phenomena could be undertaken under two different aspects, the social or the economic aspect.

Almost everyone agrees that the abnormal prosperity of Taiwan society brought about by economic development during all these years and the extreme state of corruption that has set in in the social fiber resulting from monetary speculations are the main reasons for the rapid deterioration of the social order. From formerly being called "ankle-deep-in-money Taiwan" it is now being called "the gambling-house country" and the "island of rapacious greed," which points to the evils of confused value

concepts and moral depravity and to its population being obsessed with all sorts of money manipulations.

Even much worse is the widespread smuggling of arms and ammunition, and underworld figures merely living by the gun and frequently shooting it out to the end. Then there is also the frequent disturbing phenomenon of involvement of police personnel in serious crimes. Taking, for instance, the case of Liu Yen-lung [2692 1750 7893], chief of a police substation, who was ring-leader of a kidnapping, extortion, and murder gang, and the other case of Ma Teh-hsi [7456 1795 3556], who headed a field investigation team of the Criminal Investigation Bureau and is suspected of having defrauded and extorted huge amounts from the head of the "Liuho" lottery [a get-rich-quick pyramid scam]. These two cases have been the most spectacular and most disastrous for Taiwan's public order, and they made a farce of the "law-and-order cabinet" designation. It is an irony of the Ma Teh-hsi case that it was he who won distinction by capturing the mentioned three notorious gangsters and could actually look forward to a bright future. The news of his involvement drove people to despair, as it also revealed the seriousness of discipline problems in the police.

As for illegal guns, the total number of guns seized by the police during the last two years was exactly half the number seized throughout all the last six years.

Another matter that is closely linked to the general mood of society is the problem of juvenile delinquency. According to statistics, the rate at which juvenile crime has increased on Taiwan during the last five years is twice the rate for adult criminality. The rapidly increasing openness of society and its greater complexity and the wider contacts that youths have with the outside world are influences that have naturally resulted in lowering the age level and increasing the number of persons of this age group getting involved in crime.

#### **As Economic Prosperity Wanes Criminality Raises Its Head**

Apart from the social aspects of the situation, the economic aspects show that, whenever the economy declines, the rate of criminality goes up very fast, a phenomenon that has by now almost become an established law. Taking, for instance, the period of the decline of the economy at the time of the first energy crisis of 1975 and 1976: At that time criminal cases immediately shot up by an additional more than 1,000 cases. At the time of the second economic decline of 1985 and 1986, the number of criminal cases increased enormously, in fact by more than 30,000 cases.

Since the first half of last year, Taiwan has begun to show signs of an economic recession, and according to statistics of the Police Administration, there was a conspicuous rise in criminality since July of last year, which may be said to again confirm the mentioned rule.



Another economic factor that contributes to criminality is the widening disparity between rich and poor in society. A survey result published the middle of January by the "21st Century Foundation" reveals that over 70 percent of the population regard the problem of the present large disparity between rich and poor on Taiwan as serious or extremely serious, and regard as its main causes the huge ups and downs in real estate prices, the huge fluctuations in share prices, the privileges and monopolies of large enterprises, and tax evasion by the rich.

There are also some people who would not analyze the situation from a social or economic angle, but would rather divide the public order situation of the last 10 years into two phases, with 1984 as the watershed. Before that year, the old traditional underground gangs were the main cause for the deteriorating public order, but due to the effective "one-time cleanup of special cases," they were sent to jail one after the other put, and Taiwan thereafter enjoyed two years of peace.

However, with the change of times, a new set of underworld robbery and murder gangs emerged. They started in 1986, with greater cruelty and more inhumane forms of crime, to plunge the entire society into a new "dark age of violence."

There came, in addition, wave after wave of amnesties and releases of criminals on having served their prison terms, which brought some of the "veterans" again onto the "battleground," and made matters even more complex. For this reason, the general public reacted vehemently against this year's New Year amnesty, demanding that it be narrowed in scope, or that even no amnesty at all be proclaimed.

#### Sharp Fourfold Increase in Capital Punishment Cases During the Last Two Years

Be that as it may, the rise in criminality is an undeniable fact. Looking at the number of persons sentenced to death by the Supreme Court in the last eight years we see that—without denying the possibility that "stricter laws in troubled times" caused harsher punishments to be meted out—the number of persons sentenced in 1985 was the smallest, seemingly confirming the "two phases of the public order situation" suggested by some, while criminality thereafter rose in almost one continuous upward curve.

**Table 2: Number of Persons Sentenced to Death or Life Imprisonment on Taiwan During the Last Eight Years**

	Persons Sentenced to Death	Persons Sentenced to Life Imprisonment
1983	15	132
1984	8	140
1985	1	81
1986	10	117
1987	6	103

1988	23	100
1989	68	145
1990	87	Not yet known
Total	218	718

Table 2 shows that the number of persons sentenced to death last year established a record for the last 10 years, while in the two years, 1988 and 1989, this figure sharply rose by almost four times, which is frightening indeed. One-third of this figure are persons under the age of 25.

At this juncture, when the current year is about to end and the time of "winter defense" is urging action, and when we are looking ahead to the new year, what kind of new year will the hard-line Hao Cabinet have for the people? Will it be better or will it be worse?

Actually, since he assumed office in June of last year, Hao Po-tsun, with his "law-and-order cabinet," has shown a beautiful "report card" full of achievements. First of all, he took such stopgap measures as arresting criminals and confiscating weapons, and strictly prohibiting smuggling and illicit crossing of the Taiwan Strait. He followed up with the more radical measures of suppressing 21 illegal trades that have had an adverse effect on public order. It was especially the arrest of the three most notorious criminals, and also the quick breaking of the two cases of kidnapping youngsters of the large corporation managers, that earned him much applause. These acts have also had the important effect of psychologically affirming a gradual consolidation of public order and of gaining the confidence of the general public and of business circles.

However, even this is so, we gather from an overall view of the entire objective environment of Taiwan and of the trend of criminality, that there does not seem to have been any conspicuous improvement in public order.

#### Even With Three Hao Po-tsuns, What Could They Do About It?

Chuang Heng-tai [8369 0077 1486], director of the Police Administration, once said: "In past days, public order considerations had a restraining effect on economic development, but now, with the economic recession, it is the economy that adversely affects public order." At present one cannot be very optimistic about Taiwan's economy. There is now, moreover, uncertainty about the Middle East war situation and confusion in the stock market, and with all these things, even if there were three Hao Po-tsuns around, what could they do about it?

A second trend is the conspicuous increase of criminality among intellectuals and their more sophisticated tools. The public is now generally much better educated and methods of data and news transmissions are so much better developed; these facts are the reasons why there is an increase in criminality among intellectuals, which is more difficult to cope with. According to statistical data of the Police Administration, crimes committed by persons with research institute levels of education had in the

past only been in single-digit figures, but five years later, in 1989, 30-odd cases of such crimes had occurred, not mention crimes committed by persons with university and college-level educations.

Hu Kuan-pao [5170 7070 1405], one of the ringleaders in the kidnapping, at the end of last year, of Wu Tung-liang [0702 2639 0081] of the Hsinking conglomerate, had been to the United States to obtain a master's degree (he never got the degree), and one of his principal tools used in the crime was a mobile cellular telephone.

**Table 3: Juvenile Delinquency Cases in Past 10 Years in Taiwan Region**

Age	1980	1985	1987	1988	1989
12 or under	745	1,547	1,262	1,131	1,161
13-15	3,978	6,652	7,230	7,387	8,579
16-18	6,565	9,110	10,014	10,123	11,014
Totals	11,288	17,309	18,506	18,641	20,754

Finally, from a sociological point of view, it is absolutely unavoidable that crimes will increase during a transition from an agricultural to an industrial society. In the past, there had been little population mobility, people went out to work early and returned late from work; it was a stable society. Today, it is not at all like this. The question is, what is the threshold of people's endurance. Criminal cases will definitely increase continuously, but as long as people are able to stand it, and as long as things do not deteriorate to the extent that normal society becomes completely eroded, one could perhaps say that all this will perhaps still be found endurable!

Apart from all these various trends and problems, there is another issue that has suddenly surfaced only about half a year ago, but which is of a frightening momentum and that is now extensively reported on in the social

columns of the newspapers; it is the drug amphetamine, commonly called "an kung tzu."

#### A New Headache Problem

A friend once asked me: Taiwan never seems to have had a drug problem; it is hardly ever mentioned by the press. Actually, a drug problem has all along existed; drugs like marijuana, "speed," heroin, and even "ice," have always been there, it was only that the relevant authorities never regarded it as important. During the second half of last year, a mopping up operation against amphetamines was conducted with the momentum of an avalanche, and the warning "one dose of amphetamine, and your life is lost" was everywhere to be seen. The police made public that the number of amphetamine apprehensions in the past two years showed a frightening 10-fold increase.

**Table 4: Number of Drug Users Apprehended in Past 2 Years**

	Number of Cases	People Involved	Amount of Drugs (kg)
1989	58	83	23.26
1990	1,249	2,008	1,085.86
Times increase	21.5	24.2	46.7

Drug suppression on Taiwan had so far only been a responsibility of the police. Though the increase of drug users may actually not be as frightening as the police announced, it is quite alarming (according to the beginning of January figure for educational units, there were a total of 3,850 young amphetamine users on the various campuses of Taiwan's universities and colleges; actual figures may have been higher).

After their problem with guns, the police are now having the new headache of the drug problem, a problem that is of great immediate urgency.

### Comparison of 3 New 'Democratic' Political Groups

91CM0123A Hong Kong CHIUSHIH NIENTAI [THE NINETIES] in Chinese No 251, 1 Dec 90 pp 40-41

[Article by Ho Li (0149 4539): "The Mainland Factor—Criterion to Distinguish Among Hong Kong's Political Parties"]

[Text] The coming year (1991) will be Hong Kong's election year. The district boards will be elected in March; the Urban Council and regional councils in May; and the Legislative Council in September. Elections of the three-tier structure will be held in the same year, like one show after another. Most attention, of course, will be focused on the "central-level" Legislative Council, because there will be a very major change in the composition of the Legislative Council next year. For the first time, some members will be returned by direct election (of the 60 members, 18 will be returned by direct election; 21 will be returned by functional constituencies; 17 will be appointed; three will be unofficial members; and one will be appointed vice chairman).

As the "1991 election campaign" draws near, forces of various camps are getting ready for the fight. Different groups are already in action. One after another, "politicians" are making their appearances, and "political parties" are being formed. The general public as well as those who have not paid constant attention to Hong Kong's political situation can only see an increasing number of political organizations and factions, many with similar names and not much difference in political program, and are at a loss to distinguish all these "politicians" and "political parties."

Right. Look at all the political organizations in Hong Kong. Regardless of their backgrounds, which one does not flaunt the banner of liberty and democracy? Which one does not talk about maintaining prosperity and stability?

Take the three big "political parties" established successively since the beginning of this year for example. Just look at the names of the three "parties," and one gets the feeling that they are similar. All three advocate party politics, but none calls itself a "party." One is called the "Hong Kong Association To Promote Democracy" (Democracy Association for short); another is called the "Hong Kong United Democratic Alliance" (Hong Kong Alliance for short); and the third is called the "Hong Kong Liberal Democratic Federation" (Liberal Democratic Federation for short). The reason why a party is not called a party is simple: to avoid violating a "taboo," because the CPC is extremely sensitive to the formation of formal parties in Hong Kong. Officials of Beijing's Hong Kong and Macao Affairs Office have said more than once that if parties should appear in Hong Kong, it is "hard to say" whether or not the CPC will also engage in open activities there. All three parties flaunt the

banner of "democracy." Their support for democracy may differ in degrees, but their signboards all show the word "democracy."

Next, the three parties' "political programs" are also very much the same. For example, all three parties agree that the "Sino-British Joint Declaration" should be implemented; all stand for "one country, two systems," "Hong Kong governed by Hong Kong's people," and "a high degree of autonomy"; all want to promote a democratic political system; all will uphold human rights, freedom, and rule by law; and all want to ensure stability and prosperity. Apparently there is not much difference in their political views and programs, but actually they are not of the same mind and purpose. What, then, are their main differences?

To distinguish between Hong Kong's "political parties" and "politicians," it may be necessary to look into their historical backgrounds.

Take the above-mentioned three big "political parties" for example. The Hong Kong United Democratic Alliance is formed by social organizations and activists, generally known as the "Democrats," who have in the past few years strived for establishment of a democratic political system. During the past few years, in the course of examining the development of Hong Kong's political system and in the drafting and consulting process of the Basic Law, the Democrats formed a "Joint Committee for the Promotion of a Democratic Political System" and strongly advocated the direct election of a portion of the Legislative Council in 1988, the direct election of at least half the council in 1997, and the selection of the future chief executive by general election. As it turned out, the Hong Kong and British Governments yielded to Beijing's pressure and postponed direct elections, and the Basic Law finally approved by Beijing allows the direct election of only one-third the members of Hong Kong's legislature in 1997. Thus, the Democrats have suffered repeated setbacks on the question of political system, and, because they have often been at odds with the official views from Mainland China, are regarded as "opponents" who want to "resist communism with democracy."

The biggest problem of Hong Kong's Democrats with the CPC government is its attitude toward the democratic movement on Mainland China. When the students' democratic movement broke out in Beijing last year, Hong Kong's Democrats rose in support and formed the "Hong Kong Alliance in Support of the Patriotic Democratic Movement" (Support Alliance). After the 4 June bloody suppression, the CPC regarded the Support Alliance as a "subversive organization," a thorn in its side, and was determined to get rid of it. Later, the Democrats formed the Hong Kong Alliance. In the eyes of the Chinese Communists, it is just "the same group of people with two different signboards" and remains the target to be isolated and attacked.

The Hong Kong Association To Promote Democracy was originally a part of the Democrats, but its members include people of "different races and cultures," who are mostly professionals with a rather distinctive elitist coloring and who are not involved with the "Support Alliance's" activities and focus their attention mainly on Hong Kong's local affairs. The greatest similarity between the Democracy Association and the Democrats is that they both support the principle of general election and call for the election of members of the legislature and the chief executive on the basis of one man one vote as soon as possible.

As to the Hong Kong Liberal Democratic Federation, generally regarded as a party of the industrial and commercial circles, it was originated by a group of so-called industrialists, businessmen, and professionals, who participated in the drafting and consulting process of the Basic Law, and its membership includes members of the Drafting Committee for the Basic Law, members of the Consulting Committee for the Basic Law, current legislators at various levels, and deputies to the National People's Congress appointed by Beijing. As their past records show, they opposed direct election of the Legislative Council in Hong Kong in 1988 and proposed the election of one-half the members of the legislature by functional constituencies and only a small number by direct election after 1997. Facts show that the more conservative stand of the industrial and commercial circles on the question of political system is more in line with Beijing's intentions. On the 4 June question, they surely understand Beijing's taboo and certainly will not rub it the wrong way.

After this historical and background study, it is not difficult to find the criteria to distinguish among Hong Kong's "political parties" and "politicians." The most crucial and perhaps "only criterion" is the relationship of these "political parties" and "politicians" with Beijing.

Again, take the three big "political parties" as an example. When the Democracy Association and Hong Kong Alliance were inaugurated earlier this year, officials of the Hong Kong government and members of the XINHUA NEWS AGENCY, Beijing's official organization in Hong Kong, were invited to attend the inaugural ceremonies, but neither showed up. Later, the Liberal Democratic Federation was formally established on 3 November, and Hong Kong government officials and XINHUA personnel were also invited to attend the inaugural ceremony. No Hong Kong government official appeared, but XINHUA sent Wang Rudeng [3769 1172 4098], assistant to the director, and Wu Junjie [0702 6511 2212], a member of the Youth Work Department, to the inauguration. Hong Kong government officials treated the three invitations equally without discrimination and attended none, perhaps to avoid being accused of favoring one and being prejudiced against the others. XINHUA, however, made a choice, rejecting the Democracy Association and Hong Kong Alliance, but

accepting the invitation of the Liberal Democratic Federation. Although the persons it sent were not of very high ranks, they still represented a political attitude and reflected Beijing's likes and dislikes.

The three "political parties" are indeed different in their stands and attitudes toward the government on Mainland China. The Hong Kong Association To Promote Democracy stresses that its attention is focused mainly on local affairs, and the most pointed statement it has made publicly is that it "will strive to influence the suzerain state in the formulation of any policy concerning Hong Kong." The Hong Kong Alliance also stresses in its public declaration that it is a "local political organization based in Hong Kong," but will "maintain contact, negotiate, and coordinate with the central government" through channels "to deal with any central government involvement in Hong Kong's affairs." While indicating that it "has no intention to take part or get involved in politics in other parts of China outside of Hong Kong," it also promises to uphold the Hong Kong people's right and freedom to "participate in and express their views on affairs of state." As to the Liberal Democratic Federation, one of its proclaimed purposes is to "promote and maintain mutual trust and cooperation between China and Hong Kong and to seek the greatest possible gain for Hong Kong as an integral part of China."

Among the key members of the three "parties," those of the Democracy Association seldom comment publicly on the relationship between Mainland China and Hong Kong. Members of the Hong Kong Alliance have said that China and Hong Kong should cooperate and maintain a dialogue, but Beijing obviously does not regard the Hong Kong Alliance as the organization with which to "cooperate" and have a "dialogue." A spokesman of the Liberal Democratic Federation has described the relationship between China and Hong Kong as a "father-son relationship," and the union has also announced that it is considering sending a group to Beijing. By comparison, the party of the industrial and commercial circles is more solicitous of the "big man up north" and has the most "harmonious" relationship with Beijing.

As to other "political parties" and "politicians" not covered by this article, it is believed that they too can be appraised by the same criterion.

In next year's elections, how Hong Kong's "political parties" and "politicians" will handle the relationship between Mainland China and Hong Kong will be an extremely sensitive question. Under the political shadow of Beijing, many Hong Kong people do not welcome but are afraid to offend the "big man up north." Therefore, for those in politics, a relationship with Beijing is not necessarily an "asset" and may well be a "liability." It is believed that the "political parties" and "politicians" taking part in Hong Kong's elections next year will play down as much as possible the factor of Mainland China. However, it is an unavoidable question, and even the

only criterion for people to distinguish between the different "political parties" and "politicians."

### Surveys Spotlight Voter Behavior

91CM0238A Hong Kong CHIUSHIH NIENTAI [THE NINETIES] in Chinese No 252, 1 Jan 91 pp 47-49

[Article by Hsu Yung-te (1776 3057 1795), lecturer, Department of Social Work and Administration, Hong Kong University: "Three-tier Elections Are Close at Hand—How to Select Qualified People"]

[Text] The holding of elections on three tiers in 1991 is a great event in Hong Kong's political development. The Hong Kong Government hopes that the outcome of these elections will be very fruitful, for it will demonstrate that democracy has a base in Hong Kong on one hand, and on the other, it will reflect the Hong Kong citizens' concern for Hong Kong affairs and restore their confidence in the government. The British Government will use the results of this election in its discussion with the Beijing Government to step up plans for democratization of Hong Kong's political system. Moreover, this election also symbolizes the active preparation of various political groups toward the transition in 1997. Various political forces in Hong Kong regard this election on several tiers as a drill and a good opportunity to demonstrate their actual strength, and hope this election can strengthen their political capital, to help them obtain an even greater voice in matters of concern to Hong Kong society. Also, political figures expecting to participate in the election hope to enter the political arena through the elective process. As a result, the 1991 election is providing various individuals an opportunity to play in a gigantic game where each person "can take what he or she needs."

But, outside this large game arena is a group of "spectators" who are dragged into the game as "last-minute extras" by the warring characters on stage. These spectators are the masses of Hong Kong citizens and voters. All the lights are turned on stage on the various political figures and groups participating in this game, and little attention is given to the masses of citizens beyond the stage. How will they respond to these prominent political stars? How will their attitudes and participation affect the results of this election?

In Western nations, the parliamentary system with political parties has had a fairly long history, and political and social scientists have been studying how the political system works in its various aspects. In the process, studies on the attitude and behavior of voters have gone beyond the scope of scholarly research to become a tool in predicting election results.

While the "history" of voting in Hong Kong can be traced to the Municipal Assembly elections and the election of representatives from among the original residents in the New Territories, formal voting on a popular basis began only in 1982 with the election of representatives to the district boards. But studies on voting patterns related to elections are still scanty. Since 1982, this writer has been participating in related voting activities, and realizes the importance of studies on this topic. So, beginning in 1985, some preliminary studies have been made. In the 1988 district board elections and the 1989 Municipal Assembly and Regional Assembly elections, this writer had made somewhat systematic telephone surveys in an attempt to analyze voting behavioral pattern of city residents, their value orientation, and the factors affecting such. Both surveys were conducted by phone, which made them different from other voting pattern studies, as most voting studies presently available were made through personal interviews. (From 1985 to the present, there are more than 10 surveys related to voting patterns, including those by special institutes, political groups, and even social service agencies, which conduct their voter behavior surveys geared to the candidate's political agenda. Most of these surveys were conducted outside the polls on election day through direct interviews.) Advantages are found in telephone surveys—sampling is convenient through random perusal of telephone directories, or by computer-aided telephone interviews (CATI), using automatic dialing, which is considered an effective method for random sampling.

A summary of results from the two surveys on elections for the district boards and the two assemblies shows that most of the voters interviewed had little understanding of the assembly system. For example, on the categories of board members, the "1988 District Board Survey" showed 94.4 percent of those interviewed did not know there were three categories of board members: elected members, appointed members, and ex officio members. The "1989 Survey on the Municipal Assembly and Regional Assembly" also showed that 76.3 percent of those voters interviewed did not understand the categories of assembly members. This was particularly noticeable with respect to the setup for the Regional Assembly (93.3 percent of the voters did not know the categories of seats on the assembly). It was believed that because the regional assembly had not been in existence for long, the people had yet to be familiar with it.

On the other hand, those interviewed also did not grasp the function or the purpose of the assembly system, and some were quite confused. For example, many of those interviewed (50.5 percent) could not say how much responsibility was assumed by the Municipal Assembly, or they mistook other functions or activities outside the responsibility of the Municipal Assembly as belonging to it.

**Table 1. Comparison of Reasons for Voting in Two Post-Election Surveys (1988 and 1989)**

Reasons for Voting	1988 District Board Elections	1989 Municipal Assembly, Regional Assembly Elections
1. Civic duty	50.9%	47%
2. Influence of candidate and campaign rhetoric	16.4%	27.5%
3. Confidence in political system/assembly	9.5%	9.4%
4. No reason, or because of influence of family and friends	7.4%	13.1%
5. Other reasons	15.8%	3%

**Table 2. Candidate Qualifications Rated by Voters Interviewed in Two Post-Election Surveys**

Qualification	1988 Election for District Boards	1989 Election for Municipal Assembly, Regional Assembly
1. Personal qualifications (i.e., education, occupation, age etc.)	12.8%	13%
2. Campaign activity and support groups	29.6%	11%
3. Resides or works in local district	2.1%	2.4%
4. Working record	28.1%	33.4%
5. Community and social service	27%	39.9%
6. Other	0.3%	0.9%

In both surveys, the voters were asked their reasons for voting, and very few answered this question. In the 1988 survey, of those polled, 9.5 percent had confidence in the district boards; in the 1989 survey, 9.4 percent. Does this reflect the fact that the assemblies on these two tiers do not have corresponding responsibilities and effectiveness, and this causes the citizens to lower their expectations of the assemblies' work? Or, was this perhaps because the assemblies on these two tiers have not accomplished enough over the past few years to gain the confidence of the people?

Furthermore, the 1989 survey tried to make a comparative evaluation of the interviewed voters' attitudes toward the assemblies on these two tiers. From the selective complaints about neighborhood problems as reflected from these interviews, city residents seem to tilt toward contacting their district boards, and believe they are more efficient than the assemblies. This may be due to the smaller area covered by the separate districts, and the scope of their responsibilities is also more directly related to the life of the people within their own district, which makes it easier for the people to find common ground. Moreover, the district representatives also have more direct contact with the city residents than the

assembly representatives, for they have local offices where they can see their constituents and so on. The district boards are also supported by the Office of Political Affairs, which allows them to have easier contact than the assemblies and their members.

Actually, in discussions about the development of Hong Kong's political system, there are those who recommend eliminating this middle administrative layer as embodied in the assemblies, and assign their original responsibilities and duties to the tiers above and below them. For example, responsibilities such as local facilities to do with the arts, recreation, and health can be assigned to the district boards, whereas matters dealing with public health and small businesses should be returned to the central authorities. Advocates feel that this approach can avoid duplication and cut down on waste. Hence the recognition and expectation that the people have toward the assemblies on two tiers can be regarded as a tendency toward choice in an organized representation system.

Summary of results from these two surveys shows that expectations of voters toward candidates running for seats on the assemblies at these two tiers may be classified in four areas: The first concerns personal factors (such as age, education, occupation etc); the second deals with social background (whether the candidate lives or works in the district); the third deals with group affiliations (whether candidate is supported by any group); and the fourth deals with the candidate's work record.

Comparison of these two surveys found that in the 1988 survey, most of the voters polled had vague expectations of their candidates—such as service to the district or the society at large, but the 1989 survey showed that the voters polled required their assembly candidates to have an actual record of service. The conclusion from these two surveys on this point is proof of the role certain conditions play in candidate selection. For example, the requirement "evidence of past work experience and accomplishments" surfaced in 28 percent of voters queried in the 1988 survey and in 33.4 percent of those polled in the 1989 survey. Because city residents recognize the different function of the assemblies on these two tiers, their expectations of them also differ, but this writer is more inclined to think that the civic education of the citizens of Hong Kong is making progress. Add to this the active involvement and openness of some council members, which shows up the irresponsibility of others, and helps the electorate make a wise decision about their candidates. This will create an active effect on the democratization of Hong Kong society.

Another point worth mentioning is the fact that in the 1989 survey, about 30 of those interviewed suggested that "respect for the people's wishes" be an important candidate requirement. This never came out in the 1988 survey, which seems to indicate that some voters are gradually recognizing the importance of the responsibility that representatives have toward their voters.

Other factors concerning a candidate's personal background, such as education, occupation, social status, and so forth, were mentioned in about 13 percent of interviews conducted in both surveys, which did not show much of a difference between the two.

Did campaign activities carried out with a large amount of manpower and material resources mobilized by the candidates and their support groups affect voter selection? Survey results indicate that in the 1988 survey, almost 30 percent of those interviewed felt this was an important factor, but in the 1989 survey, only 11 percent felt campaign activities should be a factor for consideration. Did this indicate a gradual drop of voter interest in campaign activity, or a tendency toward consideration of the candidate's actual work record? I believe this point has definite reference value for groups and individuals participating in the next election.

Finally, whether or not the candidate lived or worked in the district was not an important factor in both surveys. Only 2 percent of those interviewed in both surveys regarded this as a condition for elective office. This seems to indicate that Hong Kong residents do not hold on to a narrow provincialism, a point that those expecting to run for office in the next district and assembly elections should consider.

The survey results indicate that in the two-tiered elections for the assemblies and the district boards, such promotional literature as leaflets, reports, etc., played a leading role and were heavily used. However, its value and effectiveness can be discounted, for the focus of this type of indirect and single-issue oriented campaign is quite narrow, oriented toward older and less educated voters. Both surveys indicate that those residents interviewed did not like this kind of campaign medium.

By comparison, some preelection activities requiring more resources of manpower and time, such as personal canvassing door-to-door or at street corners, are not as effective and economical as leaflet campaigning. Both surveys indicate that most voters interviewed were not approached by candidates or their support groups through door-to-door or street-corner contacts (74.2 percent in the 1988 survey and 83 percent in the 1989 survey). Of course, this also reflects the fact that candidate support groups found it difficult to raise that much manpower and gave up using this approach. Actually, it is reasonably possible that such an approach is the most effective in helping the voter understand the candidates, and allow the candidates to have a handle on the people's feelings.

The fallout from an item in the 1989 survey discovered that quite a few of those interviewed had selected television as the most effective campaign medium. It is worth noting that their numbers were much greater than those obtained in the 1988 survey. Most likely the television image is more appealing than the printed word, and this approach is going to be used more extensively in the upcoming local elections. However,

the Hong Kong Government is not prepared to allow television to be used for political purposes, and this slows down any effort to help voters understand the candidates and their own participation in the voting process.

The phenomenon of social desirability often seen in social surveys was noted in both surveys. That is, the tendency of those interviewed to give an affirmative answer. Actually, the proportion of those who actually voted, as shown from the two surveys, was higher than that from the official figures released by the government (57.8 percent in the 1988 survey, 30.3 percent in the government release; and 38.5 percent in the 1989 survey, 17.6 percent in the government release).

Among those interviewed who had voted, the older voters were more inclined to vote, particularly those over 60 years old. This may be due to the fact that retirees had more spare time, or they were affected by the pull of social groups to vote. Or, they were given rides to polling places by support groups, which made it very convenient for them to go and vote. However, it must be noted that the initiative to vote among the younger voters was rather low, for the percentage of those voting and the number of those registered to vote left much to be desired. This causes one to wonder whether the future leaders of Hong Kong will want to shoulder the responsibility of building up Hong Kong. Consequently, education on one's civic privileges and duties should not be allowed to slacken.

Another important discovery about election participants is the existence of "undecided votes" and "sure votes," which are not reliable. For example, among those interviewed in the 1988 survey, 34.8 percent of those who had originally expressed their intention to vote or who stated their indecision did not vote in the end. In the 1989 survey, 61.8 percent of those who held "undecided votes" ultimately did not vote, while 17 percent of those "sure votes" who had expressed a determination to support certain candidates were also lost. A further exploration as to why these lost supporters or "undecided voters" did not vote showed "no time" as the important reason. It is not surprising then, that the Hong Kong Government is considering to make future election days as public holidays to increase voter participation. Regardless, election-participating groups and candidates for election should improve their campaign organization in the future, and direct their attention to these lost votes, to avoid assuming the "victory in hand" syndrome, only to find it overturned in the final count.

For democracy to develop in Hong Kong society, besides development of a political system and organization in the "great political layer" and the emergence of outstanding individuals, the active participation of a broad-based citizenry is also required. Moreover, participation of a reasonable base is also dependent on the city residents having an adequate understanding of the political system, and confidence and hope in establishing such a system. Therefore, if we take the surveys made by

this writer in 1988 on the district board elections and in 1989 on the elections for the Municipal Assembly, Regional Assembly as indicators, they show that the Hong Kong citizenry, in order to exercise their franchise, need to improve in all three areas of understanding, value orientation, and participation.

### **Dispute Over Pre-1997 Administrative Power**

91CM0290A Hong Kong PAI HSING [THE PEOPLE]  
in Chinese No 233, 1 Feb 91 pp 6-7

[Article by Lin Peishan (2651 3805 3790): "Dispute Over Administrative Power; Beijing Goes on the Offensive, Which Puts British Hong Kong on the Defensive"]

#### **[Text] Beijing's Offensive Has Far Exceeded the Hong Kong Government's Expectations**

As 1991 begins, Beijing and British Hong Kong are engaged in an intense dispute, in which Beijing is on the offensive and British Hong Kong is on the defensive. Although Hong Kong Governor Sir Wilson's three day trip to Beijing in late January has slightly eased the bilateral tension, both sides are complaining about the high price they are paying, much dissension still exists, and it is believed that even more issues have yet to be solved at the third round of talks of the PRC-Hong Kong Airport Group and when British Foreign Minister Hurd visits China in April.

The intensity of this offensive is an even clearer indication of Beijing's intentions.

Ever since Lu Ping [7627 1627], director of the PRC's Hong Kong and Macao Affairs Office (HKMAO), had attacked the Hong Kong government in Guangzhou in December 1990 for using its financial reserves to build the new airport and for not making public its foreign exchange reserve rollover, the Hong Kong experts in the PRC-Hong Kong Airport Group had been worried about getting another dressing down when they went to Beijing on 10 January 1991 to hold the second round of talks of the Airport Group with the experts on the Chinese side. Regrettably, the offensive prepared by Beijing far exceeded the Hong Kong government's expectations.

When the Hong Kong officials arrived in Beijing on 9 January 1991, Chen Zuor [7115 0146 3167], deputy director of the HKMAO immediately attacked British Hong Kong for delaying the talks. He said that while Beijing had planned to hold the second round of talks in the first half of December 1990, British Hong Kong had postponed them by saying that it was not prepared. He further revealed that, as British Hong Kong had asked that Lu Ping be appointed to head the Chinese side, while allowing Jackson from the Finance Department, who was not of equal official rank, to head the Hong Kong side, Beijing would reciprocate by appointing Luo Jiahuan [5012 0857 2970] to head the Chinese side. These attacks by Chen Zuor threatened the Hong Kong officials with discontinuation of the meetings.

While Beijing's approach on the first day of the talks on 10 January was to listen without comment and allow the Hong Kong officials to present the data they had brought to Beijing, the Chinese delegates attacked the Hong Kong officials on the second day of the talks on 11 January. While the Hong Kong officials talked with Beijing on one hand, while promoting the 12 airport projects on the other, in order to get the talks going, Beijing demanded that the Hong Kong government temporarily stop work on the airport. The Hong Kong officials' lack of response to this demand forced an early end to the second day's talks. While the third and last day of this round of talks also ended without any results, Beijing continued its attack doggedly. After this round of talks had ended, Luo Jiahuan, the head of the Chinese delegation, finally showed his hand by demanding that China be given a say in key Hong Kong affairs leading up to 1997, and by saying that not only was this not meddling in Hong Kong's affairs in advance, but that the current attempt by British Hong Kong to make decisions on behalf of the future Hong Kong SEZ government was out-and-out interference in China's internal affairs.

A former director of the HKMAO then demanded that British Hong Kong "bare its heart" and "state its real intentions," and Vice Premier Wu Xueqian stated that the Central People's Government alone could speak on behalf of Hongkongers.

Beijing's gradual escalation of its actions and demands showed that it had come prepared to take advantage of the airport issue to declare and establish its authority to involve itself in Hong Kong's affairs before 1997, and to act as a spokesman for Hong Kong residents and future SEZ interests. Not expecting to be attacked, the Hong Kong government had always hoped to take advantage of the Airport Group talks to entice China into supporting the new airport plan. At the Airport Group talks, the Hong Kong side had handed over its data and casually expressed a desire to hear Beijing's views, hardly expecting Beijing to ignore the rules of the game that had been laid down by the Hong Kong government, by proposing that Hong Kong had overstepped its authority in setting technical specifications for the new airport, and demanding an equal say in them, against which attacks the Hong Kong officials were unprepared to defend themselves.

#### **Beijing Is Taking Advantage of the Airport Talks To Control Hong Kong's Affairs**

Since they came to grips with the British in the early 1980s, Chinese officials have had frequent misgivings about British plotting, and Deng Xiaoping has pointed out that the British must be careful in their dealings not to bequeath a heavy burden to the SEZ government. When assessing Hong Kong's prospects for the 1990s in 1984, Deng Xiaoping pointed out the need to be careful that Britain did not unrestrictedly increase Hong Kong's government functionaries, deplete Hong Kong's reserve funds, do its utmost to raise the salaries of public



servants, and bequeath a great burden to the SEZ government, including certain major projects that would be a heavy burden for Hong Kong residents and China. Moreover, he said that he did not believe that it would be best for the Central Government to never interfere in Hong Kong's affairs.

Deng's statements must not be underestimated, because his view of British dealings as plotting, governs Chinese officials' actions toward British Hong Kong, and is the official Chinese guide to action on Hong Kong affairs. It is only when British Hong Kong occasionally expresses good will (as when it listened to Beijing's suggestion to slow the pace of development of representative government in 1988), that Beijing treats British Hong Kong a little more generously. Since it crushed its democracy movement on 4 June 1989, China has perceived British Hong Kong as taking advantage of the situation to jump the gun, by quickly promoting representative government to return power to the people, offering the British abode scheme, promoting "control of Hong Kong by Hongkongers," and "scheming to leave Hong Kong empty," in an attempt to coerce China. China sees the formulation of human rights laws for Hong Kong as being aimed at undermining the Basic Law, and the building of the new airport as an attempt to deplete Hong Kong's reserves, by pouring Hong Kong's funds into British pockets and leaving the SEZ with a heavy financial burden after 1997. China is even more worried that the demonstrations and activities of the democracy movement in Hong Kong with the connivance of British Hong Kong, will turn Hong Kong into an outpost for the countries of the West to try to overthrow China's socialist system.

As Beijing feels that many British Hong Kong actions since 4 June clearly confirm Deng Xiaoping's fears that the British plan to leave Hong Kong in disorder, empty Hong Kong's coffers, and create a heavy burden for the SEZ before they withdraw, Beijing has recently been reemphasizing to officials who deal with Hong Kong affairs, Deng's past speeches on the need to take a hard line toward British Hong Kong.

As far as Beijing is concerned, now is the best time to counterattack. It is not that Beijing has not wanted to strike at British Hong Kong since 4 June, but rather that it has been unable to. Faced with Britain's breaking off of group talks (in June 1989), passing of the British abode scheme (in December 1989), and proposing of a human rights draft resolution (in July 1990), Beijing had only been able to conduct a vigorous propaganda campaign to express its indignation, but had not been able to launch any specific counterattack.

But the situation had turned to Beijing's advantage from December 1990 to January 1991, by which time it had finished replacing its officials in charge of Hong Kong affairs. Beijing replaced its leadership in the Hong Kong branch of the NEW CHINA NEWS AGENCY, the Hong Kong and Macao Affairs Office, and the Ministry of Foreign Affairs, and the Chinese delegates to the UN

Liaison Group, which better coordinated them and put them under the direction of the Central Hong Kong and Macao Affairs Group. In addition, the Persian Gulf Crisis rapidly restored China's international standing, when great nations, such as the U.S. and Britain, needed Beijing's support to use force against Iraq. It was Britain's having to look to China for help that presented the current opportunity for Beijing to counterattack British Hong Kong, for which the new airport plan was merely a pretext. This shows that while the senior Chinese leadership did not come out in strong opposition to the new airport plan in early 1990, simply asking not to be put in the position of "you giving the party and we footing the bill," and asking that "actions be suited to realities," its current major attack reveals its attempt to use British Hong Kong's request for Beijing's support of the new airport as a pretext to meddle in Hong Kong's affairs.

#### **There Are Different Views in the Hong Kong Government About Beijing's Aims**

Beijing's current attempt to take advantage of the airport incident, by asking British Hong Kong to publicize its foreign exchange reserve rollover over the years and cut down the size of the airport, establishes China's power to act as a spokesman for affairs leading up to 1997, and its status as the sole representative of Hongkongers' interests. While these aims are crystal clear to all, there are varying analyses within the Hong Kong government about Beijing's ultimate aims.

One faction holds that, as Beijing basically does not trust British Hong Kong and thinks that Britain is plotting great schemes for Hong Kong, China wants to attack British Hong Kong's will to govern and become the final arbiter of Hong Kong's affairs. It believes even more firmly that the nature of the communist party is to grab whatever power it can, and that it will be impossible for it to stand by and watch Hong Kong without meddling in its affairs.

Figures from this faction believe even more firmly that, as Beijing has just replaced its team in charge of Hong Kong affairs, to whom Deng Xiaoping has issued instructions to carry out a hardline resistance to British Hong Kong, these new officials will naturally redouble their efforts to carry out his instructions, because they are technocrats who want to show their "skill and loyalty" to the Central Government.

Based on this analysis, Hong Kong officials in this faction think that it is a waste of time to discuss the matter of the Hong Kong airport with Beijing officials, who do not understand Hong Kong's capitalist operations. Hong Kong officials say that Hongkongers must be allowed to plan the whole project, it must have more private investment, and there is no way for them to make this understandable to Beijing officials. In addition, they say that Beijing officials can only carry out a hardline implementation of Beijing's orders, and are basically unable to discuss the matter in good faith.

These Hong Kong officials further believe that, as Beijing is exploiting the airport issue to seize power from British Hong Kong, conceding this point now would be equivalent to renouncing their administrative responsibility and right to govern Hong Kong until 1997.

Thus, these officials feel that they must not retreat even one step. Moreover, they have suggested that British Hong Kong could cut down the size of the new airport, and use its financial reserves to complete it before 1997 without relying on private investment, which would keep the issue from extending beyond 1997 and not leave a debt for the SEZ government. This would eliminate Beijing's pretext for meddling in Hong Kong's affairs.

In addition to this hardline faction, there is another self-styled dove faction. The officials in the dove faction believe that while Beijing does not trust British Hong Kong, it does not want to govern Hong Kong in advance either. They think that Beijing officials are not ready to decide all of Hong Kong's affairs, but want only the power to "supervise" major issues in British Hong Kong, so that they can call for a stop to any scheming by the British to leave Hong Kong in disorder. In addition, Beijing hopes that the British Hong Kong government will punish any support in Hong Kong for China's democracy movement.

#### **Neither China Nor Britain Want the Talks To Collapse**

When former British Deputy Foreign Minister McHerter visited China in July 1990, although he responded to Beijing's demands by saying that China and Britain could settle the Hong Kong issue through diplomatic channels, and that Britain would hear Beijing out, Beijing felt that Britain could not be trusted. For instance, British Hong Kong's launching of the airport project while talks about it were underway, announcing plans for the Ch'ingma Bridge before the first round of Airport Group talks had begun, and inviting bids on 12 projects during the second round of talks, showed that Britain was basically not ready to "hear out" Beijing's views. Due to Britain's insincerity, Beijing publicly demanded the right to examine and approve matters leading up to 1997, in an attempt to pressure British Hong Kong into making and keeping its promises.

Based on this analysis, officials from the dove faction felt that British Hong Kong should show its good faith to China by listening to its views, that it would be best to temporarily stop all work on the airport to appease Beijing, and that British Hong Kong should retreat and make all possible concessions, such as normalizing the Airport Group talks by holding one round every six months, reporting to China on its foreign exchange reserve rollover, and calling off certain nonessential airport projects.

Prior to the visit to Beijing by the governor of Hong Kong, the views of the hardline faction in the Hong Kong government were widely circulated by the media. Some

news reports, editorials, and special essays carried hardline views, certain members of the Hong Kong administration also promoted hardline views in a "personal" capacity, and the hardline approach to Beijing prevailed for a time in the Hong Kong government.

During the talks, while Beijing roared like a lion by demanding a joint say in the administration of Hong Kong, British Hong Kong gave no impression of weakness in the media, responded with a hardline approach, and said that even if the PRC-Hong Kong airport talks collapsed, the Hong Kong government was prepared to build the new airport on its own.

This hardline approach in the media certainly did not make it impossible for talks to proceed at the conference table. For instance, as Beijing had set great store by the visit to Beijing by the governor of Hong Kong, and was worried that the Hong Kong government might cancel it because of the disagreements, it ensured that the governor of Hong Kong would be welcomed by China in Beijing, by having even State Council Premier Li Peng take time from pressing affairs to receive this colonial chief executive, which could be considered a great courtesy. The governor of Hong Kong also decided that even though he might get a dressing down, he would make the trip to Beijing to pave the way for Foreign Minister Hurd's April trip. This shows that neither China nor Britain want the talks to collapse. While it is one thing to complain about their cost on the outside, it is very clear that both sides hope to solve the issue through discussion at the table.

#### **The Governor of Hong Kong Made Some Concessions During His Visit to Beijing**

While the governor of Hong Kong was treated politely during his visit to Beijing, and Lu Ping spoke about both sides having common interests, the governor of Hong Kong did express a desire to clear up certain misunderstandings. His speech at the airport upon returning to Hong Kong showed even more clearly that the Hong Kong government had already made certain concessions. He said that the airport was not a one-sided issue, and that the Hong Kong government had explained its position to Beijing, and then expressed a desire to listen to its views. Although he did not say that the airport plan would be revised according to Beijing's views, he did say that it was certainly not unalterable and was being revised continuously, the implications of which were very clear.

Was not the Hong Kong government's allowing Beijing to coach it on its airport plans, and its willingness to listen to Beijing's views, equivalent to British Hong Kong agreeing to grant Beijing "a say in," or the authority to examine and approve, other major issues leading up to 1997? The Hong Kong governor certainly did not clarify this in his speech, but simply reaffirmed

the need to explain the Hong Kong government's decisions to China, and that the British Hong Kong government would retain the responsibility for the administration of Hong Kong until 1997. While this was an ambiguous reply, which indicated that British Hong Kong had not capitulated completely, it did not clarify whether or not Britain had capitulated partly.

However, such deep differences between China and Britain make one believe that all issues, and the most important one of meddling in Hong Kong's affairs in particular, can certainly not be solved at one round of talks. British Foreign Minister Hurd's April visit to Beijing will be a more suitable occasion to solve these issues, but whether it will bring actual concessions of administrative power depends on whether China and Britain can make an exchange of interests that appeals to both sides, which absolutely could not have been achieved by the governor of Hong Kong.

However, Hongkongers are anxious about the following matters: 1. As Britain's interests are certainly not identical to British Hong Kong's, Hongkongers can only hope and pray for the best as far as what agreements and exchanges will be made between Britain and China; 2. Before the governor of Hong Kong went to Beijing, Chief Legislator Li P'engfei, who leans toward the British faction, went so far as to openly criticize Hongkongers for supporting the democracy movement, saying that their anticommunism not only in words, but also in deeds, was the key factor that was blocking the resumption of PRC-Hong Kong relations. As this approach is different from that of the Hong Kong government, that it will not interfere with demonstrations as long as they are legal, can not Li P'engfei's words be considered a verbal attempt by British Hong Kong to stifle all expression among Hong Kong democracy advocates?

As Beijing has always been very resentful of Hong Kong democracy advocates, is the government of Hong Kong not likely to barter the suppression of the Hong Kong democracy movement for the resumption of PRC-Hong Kong relations? This is my concern.

#### **Lukewarm Response to Right of Abode in U.K.**

91CM0373A Hong Kong MING PAO in Chinese  
6 Mar 91 p 2

[Special dispatch: "Forecast Misses Mark Because of Misguidance by Emigration Survey: Number of Applications for Residence in Britain Lower Than Estimated; Hong Kong Government Need Not Give Explanation to Britain"]

[Text] On the day before yesterday the total number of applications for residence in Britain was 65,674. Ts'eng Yin-ch'uan [2582 5593 2938], director of the Executive Office, estimated that of every four or five persons in Hong Kong who hold passports as British colony subjects one person has applied. He stressed his satisfaction with the results of the applications, and at the same time said that the Hong Kong government need not give the

British government an explanation of the results. He added that the reason for the results was not a cold response to the Labor Party's demand for a survey.

Also, according to Agence France-Presse (AFP), (Riley), an official of the British Foreign Office, in a report to Parliament this week on the response shown by the applications to reside in Britain, pointed out that the number of applicants was far lower than the number of persons qualified to apply. He thought that many people did not apply because they felt their applications would be turned down.

At a press conference yesterday, Ts'eng Yin-ch'uan disclosed that, because several hundred letters requesting changes in the application form's occupational categories had been received, for the time being it was impossible to calculate the number of applications in each occupation, but that this calculation would be completed later and made public. According to a preliminary analysis, the number of applications in almost all occupational categories exceeded the quota, and he knows many applicants are now applying for the passports of other countries.

As for the report that people in the entrepreneur category who had originally been invited later publicly applied, was because many entrepreneurs refused the invitations. Ts'eng Yin-ch'uan admitted that there were cases of invitations being refused, but said they were extremely rare and that most of those who did so held a passport of another country. He said that the number of "people in the know" in the Hong Kong government who were selected was less than 500 and that some of them had automatically applied, which laws and regulations permitted them to do.

He went on to say that at this time he did not know the proportion of the applications made by government employees, but stated categorically that they did not exceed half the number of applications. He also admitted that the first-stage quota of more than 6,000 persons out of more than 8,000 applicants in the forces of law and order, as compared to the original estimate that only one out of seven persons would come under this quota, greatly increased their chance for success. Smiling, he said that as of now only a little over 2,000 persons were disappointed.

He reiterated that the plan for the right to reside in Britain was not directed at people of the lowest grades. Therefore, he said, even though applicants in occupational categories in the lower grades had the opportunity to apply, he believed that only a very few of them could obtain the right to reside in Britain.

With regard to the large number of applications that flooded in on the closing day for applications, he thought that this was characteristic of the way Hong Kong people handled their affairs, but he did not think that those who did so were all unqualified applicants.

Asked why there was such a big gap between the Hong Kong government's original estimate that applications for residence in Britain would be made by 300,000 persons and the final tally, Ts'eng Yin-ch'uan explained that, when the authorities made this estimate in the summer of 1989, it was based on different emigration surveys taken by newspapers and specialized organizations, which all showed that 70 to 90 percent of those surveyed said that hoped for a plan for the right to reside in Britain.

As for the fact that only a little over 60,000 persons applied, he maintained that this would not diminish the Hong Kong government's willingness to exchange or retain talented people, but showed that the Hong Kong people's view of the situation was more reasonable and realistic than the government's view. They would not spend HK\$200 to make an application on which they estimated the chance of success was small, but, he said, if they were fairly certain of success they would have applied. He said that, based on newspaper reports, there were 18 reasons for the application response not being up to the mark.

He said that originally, based on figures provided by the Statistical Office, it was estimated that a total of 600,000 persons would apply for the right to reside in Britain. Of them, he said, 200,000 would be citizens of foreign countries and the remaining over 400,000 would be qualified applicants with passports as British colony subjects; the final tally was 66,000 persons, i.e., out of about four or five qualified applicants, only one applied.

He believed that the response to the plan for the right to reside in Britain had the effect of stabilizing Hong Kong and the number of talented persons who will remain.

At the press conference Ts'eng Yin-ch'uan was questioned closely by reporters as to why the Hong Kong government did not publicize the plan for the right to reside in Britain, thereby causing the response to be less than ideal. He replied that the Hong Kong government is in a difficult position, because the objects of the plan for the right to reside in Britain do not comprise all of the Hong Kong people, but are limited to people in certain categories, of which few are involved. The Hong Kong government, he added, on the one hand hopes that the Hong Kong people know about this plan, but on the other hand does not want to publicize and encourage it as a major event or to instigate people to apply.

He felt that the applications received met the qualifications. Once he made a careful examination to understand the attitude of the Hong Kong people (because there was some difference with what he believed) then he would decide how to use the quotas in the second stage.

With regard to the criticisms made by some people that the application form for the right to reside in Britain was too complicated, Ts'eng Yin-ch'uan retorted that he felt that it was a masterpiece and that up to now no other country's application form was as clear and detailed. He did not think that there was anyone who did not apply because of fear about the trouble involved in filling out the form.

Mr Ts'eng estimated that the People's Visa Affairs Office will need two years' time to complete the processing of the first-stage applicant quota of a little over 40,000 persons, processing in one year an average of 20,000 persons. He added that the Civil and Financial Affairs Department had told him that his main direction for the plan for the right to reside in Britain will be consistently followed until the first batch of passports are issued.

This is a U.S. Government publication. policies, views, or attitudes of the U.S. Government. Cite FBIS or JPRS provided they do so in a manner clearly identifying them as the secondary source.

Foreign Broadcast Information Service (FBIS) and Joint Publications Research Service (JPRS) publications contain political, military, economic, environmental, and sociological news, commentary, and other information, as well as scientific and technical data and reports. All information has been obtained from foreign radio and television broadcasts, news agency transmissions, newspapers, books, and periodicals. Items generally are processed from the first or best available sources. It should not be inferred that they have been disseminated only in the medium, in the language, or to the area indicated. Items from foreign language sources are translated; those from English-language sources are transcribed. Except for excluding certain diacritics, FBIS renders personal and place-names in accordance with the romanization systems approved for U.S. Government publications by the U.S. Board of Geographic Names.

Headlines, editorial reports, and material enclosed in brackets [ ] are supplied by FBIS/JPRS. Processing indicators such as [Text] or [Excerpts] in the first line of each item indicate how the information was processed from the original. Unfamiliar names rendered phonetically are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear from the original source but have been supplied as appropriate to the context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by the source. Passages in boldface or italics are as published.

#### SUBSCRIPTION/PROCUREMENT INFORMATION

The FBIS DAILY REPORT contains current news and information and is published Monday through Friday in eight volumes: China, East Europe, Soviet Union, East Asia, Near East & South Asia, Sub-Saharan Africa, Latin America, and West Europe. Supplements to the DAILY REPORTs may also be available periodically and will be distributed to regular DAILY REPORT subscribers. JPRS publications, which include approximately 50 regional, worldwide, and topical reports, generally contain less time-sensitive information and are published periodically.

Current DAILY REPORTs and JPRS publications are listed in *Government Reports Announcements* issued semimonthly by the National Technical Information Service (NTIS), 5285 Port Royal Road, Springfield, Virginia 22161 and the *Monthly Catalog of U.S. Government Publications* issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

The public may subscribe to either hardcover or microfiche versions of the DAILY REPORTs and JPRS publications through NTIS at the above address or by calling (703) 487-4630. Subscription rates will be

provided by NTIS upon request. Subscriptions are available outside the United States from NTIS or appointed foreign dealers. New subscribers should expect a 30-day delay in receipt of the first issue.

U.S. Government offices may obtain subscriptions to the DAILY REPORTs or JPRS publications (hardcover or microfiche) at no charge through their sponsoring organizations. For additional information or assistance, call FBIS, (202) 338-6735, or write to P.O. Box 2604, Washington, D.C. 20013. Department of Defense consumers are required to submit requests through appropriate command validation channels to DIA, RTS-2C, Washington, D.C. 20301. (Telephone: (202) 373-3771, Autovon: 243-3771.)

Back issues or single copies of the DAILY REPORTs and JPRS publications are not available. Both the DAILY REPORTs and the JPRS publications are on file for public reference at the Library of Congress and at many Federal Depository Libraries. Reference copies may also be seen at many public and university libraries throughout the United States.